

By Mr. FASCELL:

H.R. 9117. A bill for the relief of Dr. Rafael L. Fernandez Rivas; to the Committee on the Judiciary.

By Mr. McDADE:

H.R. 9118. A bill for the relief of Ernest J. Carlin; to the Committee on the Judiciary.

By Mr. STINSON:

H.R. 9119. A bill for the relief of Agaram K. Sreekanth; to the Committee on the Judiciary.

#### PETITIONS, ETC.

Under clause 1 of rule XXII,

450. The SPEAKER presented a petition of Charles W. Winegarner, legislative secretary, Citizens Congressional Committee, Los Angeles, Calif., to take the initial steps necessary to bring about an amendment to the Constitution of the United States which will forever guarantee the protection of our Christian traditions and the right of our people to pray and honor Holy Scripture in their institutions, which was referred to the Committee on the Judiciary.

### SENATE

WEDNESDAY, NOVEMBER 13, 1963

(Legislative day of Tuesday,  
October 22, 1963)

The Senate met at 12 o'clock meridian, on the expiration of the recess, and was called to order by Hon. LEE METCALF, a Senator from the State of Montana.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Eternal God, in whose peace our restless spirits are quieted: From the flickering torches of our own understanding, into Thy holy light we would lift the difficult decisions of the public service which are focused within these walls. In the brooding silence of this still moment may the open windows of faith flood our darkness with the radiance of the eternal, that in Thy sunshine's blaze this toiling day may brighter, fairer be.

We give Thee thanks for all interpreters of Thy mind who, with brush or pen or winged words, bring even one more syllable of reality, one more gleam of the truth which makes men free. Clothe our failing flesh with Thy renewing grace, as now we bring our incompleteness to Thy completeness. Grant us inner greatness of spirit and clearness of vision to meet and match the large designs of this glorious and challenging day, that we may keep step with the drumbeat of Thy truth which is marching on.

In the dear Redeemer's name we pray.  
Amen.

#### DESIGNATION OF ACTING PRESIDENT PRO TEMPORE

The legislative clerk read the following letter:

U.S. SENATE,  
PRESIDENT PRO TEMPORE,  
Washington, D.C., November 13, 1963.  
To the Senate:

Being temporarily absent from the Senate, I appoint Hon. LEE METCALF, a Senator

from the State of Montana, to perform the duties of the Chair during my absence.

CARL HAYDEN,  
President pro tempore.

Mr. METCALF thereupon took the chair as Acting President pro tempore.

#### THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Tuesday, November 12, 1963, was dispensed with.

#### MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries.

#### MESSAGE FROM THE HOUSE— ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Acting President pro tempore:

H.R. 2073. An act to authorize the Secretary of the Interior to convey certain submerged lands to the governments of Guam, the Virgin Islands, and American Samoa, and for other purposes;

H.R. 3488. An act to provide for the striking of medals in commemoration of the 150th anniversary of the statehood of the State of Indiana;

H.R. 5244. An act to modify the project on the Mississippi River at Muscatine, Iowa, to permit the use of certain property for public park purposes; and

H.R. 7193. An act to provide for the striking of medals in commemoration of the 50th anniversary of the founding of the first union health center in the United States by the International Ladies' Garment Workers' Union.

#### TRANSACTION OF ROUTINE BUSINESS

On request of Mr. MANSFIELD, and by unanimous consent, it was ordered that there be a morning hour, with statements limited to 3 minutes.

#### EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of executive business, to consider the nomination on the Executive Calendar.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

#### EXECUTIVE MESSAGE REFERRED

The ACTING PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, and withdrawing the nominations of Col. Alfred Carlisle Harrison, Col. Erwin Case

Hostetler, Col. Robert Louis Stevenson, and Col. Thomas Roberts White, all of the Adjutant General's Corps, for appointment as Reserve commissioned officers of the Army in the grade of major general, which nominating messages were referred to the Committee on Armed Services.

(For nominations this day received, see the end of Senate proceedings.)

#### EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations submitted:

By Mr. JOHNSTON, from the Committee on Post Office and Civil Service:

One hundred and sixty-six postmaster nominations.

By Mr. MAGNUSON, from the Committee on Commerce:

Otto E. Graham, Jr., to be a member of the permanent commissioned teaching staff of the Coast Guard Academy, as an associate professor with the grade of commander; and William R. Gill, and sundry other persons, for appointment in the U.S. Coast Guard.

The ACTING PRESIDENT pro tempore. If there be no further reports of committees, the nomination on the Executive Calendar will be stated.

#### FEDERAL TRADE COMMISSION

The Chief Clerk read the nomination of Philip Elman, of Maryland, to be a Federal Trade Commissioner for the term of 7 years, from September 26, 1963.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is confirmed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of this nomination.

The ACTING PRESIDENT pro tempore. Without objection, the President will be notified forthwith.

#### LEGISLATIVE SESSION

On motion of Mr. MANSFIELD, the Senate resumed the consideration of legislative business.

#### CONGRATULATIONS TO NATIONAL ACADEMY OF SCIENCES AND THE NATIONAL RESEARCH COUNCIL

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 619, Senate Resolution 218.

The motion was agreed to; and the resolution (S. Res. 218) conveying to the National Academy of Sciences and the National Research Council congratulations for its contributions to science and technology was considered and agreed to, as follows:

Resolved, That the Senate hereby joins with the President and people of our Nation in conveying to the National Academy of Sciences and the National Research Council of such Academy congratulations and appreciation for the many outstanding contributions made by the Academy during the

past one hundred years, and in expressing high confidence that the Academy will continue to serve the best interests of this country and all mankind.

The preamble was agreed to.

#### TRANSACTION OF ROUTINE BUSINESS

The ACTING PRESIDENT pro tempore. Under the order previously entered, morning business is in order.

#### REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MAGNUSON, from the Committee on Appropriations, with amendments:

H.R. 8747. An act making appropriations for sundry independent executive bureaus, boards, commissions, corporations, agencies, and offices, for the fiscal year ending June 30, 1964, and for other purposes (Rept. No. 641).

By Mr. JOHNSTON, from the Committee on Post Office and Civil Service, with amendments:

S. 1561. A bill to amend the Federal Employees Health Benefits Act of 1959 (Rept. No. 642).

By Mr. SPARKMAN, from the Committee on Banking and Currency, without amendment:

S.J. Res. 129. Joint resolution to amend section 702 of the Housing Act of 1954 to increase the amount available to the Housing and Home Finance Administrator for advances for planned public works (Rept. No. 643).

#### REPORT OF JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES—FEDERAL STOCKPILE INVENTORIES

Mr. BYRD of Virginia. Mr. President, as chairman of the Joint Committee on Reduction of Nonesential Federal Expenditures, I submit a report on Federal stockpile inventories as of July 1963. I ask unanimous consent to have the report printed in the Record, together with a statement by me.

There being no objection, the report and statement were ordered to be printed in the Record, as follows:

#### FEDERAL STOCKPILE INVENTORIES, JULY 1963

##### INTRODUCTION

This is the 44th in a series of monthly reports on Federal stockpile inventories. It is for the month of July 1963.

The report is compiled from official data on quantities and cost value of commodities in these stockpiles submitted to the Joint

Committee on Reduction of Nonesential Federal Expenditures by the Departments of Agriculture, Defense, Health, Education, and Welfare, and Interior, and the General Services Administration.

The cost value of materials in inventories covered in this report, as of July 1, 1963, totaled \$13,821,993,372, and as of July 31, 1963,

they totaled \$13,756,165,745, a net decrease of \$65,827,627 during the month.

Different units of measure make it impossible to summarize the quantities of commodities and materials which are shown in tables 1, 2, 3, 4, and 5, but the cost value figures are summarized by major category, as follows:

#### Summary of cost value of stockpile inventories by major category

Major category	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month
Strategic and critical materials:			
National stockpile <sup>1</sup> .....	\$5,816,508,200	\$5,813,052,400	-\$3,455,800
Defense Production Act.....	1,499,504,900	1,496,434,900	-3,070,000
Supplemental—barter.....	1,338,072,033	1,340,697,172	+2,625,139
Total, strategic and critical materials <sup>1</sup> .....	8,654,085,133	8,650,184,472	-3,900,661
Agricultural commodities:			
Price support inventory.....	4,715,435,333	4,652,255,144	-63,180,189
Inventory transferred from national stockpile <sup>1</sup> .....	127,608,991	126,990,583	-618,408
Total, agricultural commodities <sup>1</sup> .....	4,843,044,324	4,779,245,727	-63,798,597
Civil defense supplies and equipment:			
Civil defense stockpile, Department of Defense.....	36,568,627	35,470,752	-1,097,875
Civil defense medical stockpile, Department of Health, Education, and Welfare.....	187,671,055	189,727,955	+2,056,900
Total, civil defense supplies and equipment.....	224,239,682	225,198,707	+959,025
Machine tools:			
Defense Production Act.....	2,208,600	2,208,600	—
National Industrial Reserve Act.....	90,108,500	90,108,500	—
Total, machine tools.....	92,317,100	92,317,100	—
Helium.....	8,307,133	9,219,739	+912,606
Total, all inventories.....	13,821,993,372	13,756,165,745	-65,827,627

<sup>1</sup> Cotton inventory valued at \$128,409,100 withdrawn from the national stockpile and transferred to Commodity Credit Corporation for disposal, pursuant to Public Law 87-548, during August 1962.

Detailed tables in this report show each commodity, by the major categories summarized above, in terms of quantity and cost value as of the beginning and end of the month. Net change figures reflect acquisitions, disposals, and accounting and other adjustments during the month.

The cost value figures represent generally the original acquisition cost of the commodities delivered to permanent storage locations, together with certain packaging, processing, upgrading, et cetera, costs as carried in agency inventory accounts. Quantities are stated in the designated stockpile unit of measure.

Appendix A to this report, beginning on page 19, includes program descriptions and statutory citations pertinent to each stockpile inventory within the major categories.

The stockpile inventories covered by the report are tabulated in detail as follows:

Table 1: Strategic and critical materials inventories (all grades), July 1963 (showing by commodity net changes during the month in terms of cost value and quantity, and excesses over maximum objectives in

terms of quantity as of the end of the month).

Table 2: Agricultural commodities inventories, July 1963 (showing by commodity net changes during the month in terms of cost value and quantity).

Table 3: Civil defense supplies and equipment inventories, July 1963 (showing by item net changes during the month in terms of cost value and quantity).

Table 4: Machine tools inventories, July 1963 (showing by item net changes during the month in terms of cost value and quantity).

Table 5: Helium inventories, July 1963 (showing by item net changes during the month in terms of cost value and quantity).

#### New stockpile objectives

The Office of Emergency Planning is in the process of establishing new objectives for strategic and critical materials. Table 1 of this report reflects the new objectives for 12 materials.

Appendix B contains excerpts from the Office of Emergency Planning statement setting forth the new policy with respect to objectives for strategic and critical materials.

TABLE 1.—Strategic and critical materials inventories (all grades), June 1963 (showing by commodity net changes during the month in terms of cost value and quantity, and excesses over maximum objectives in terms of quantity as of the end of the month)

Commodity	Cost value			Unit of measure	Quantity				
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month		Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Maximum objective <sup>1</sup>	Excess over maximum objective
Aluminum, metal:									
National stockpile.....	\$487,680,600	\$487,680,600	—	Short ton.....	1,128,989	1,128,989	—	—	—
Defense Production Act.....	437,587,600	435,124,700	-\$2,462,900	do.....	866,581	861,710	-4,871	—	—
Total.....	925,268,200	922,805,300	-\$2,462,900	do.....	1,995,570	1,990,699	-4,871	2,450,000	1,540,699
Aluminum oxide, abrasive grain:									
Supplemental—barter.....	14,112,607	14,129,453	+16,846	do.....	47,305	47,639	+334	(0)	47,369

See footnotes at end of table.



TABLE 1.—Strategic and critical materials inventories (all grades), June 1963 (showing by commodity net changes during the month in terms of cost value and quantity, and excesses over maximum objectives in terms of quantity as of the end of the month)—Continued

Commodity	Cost value			Quantity					
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Unit of measure	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Maximum objective <sup>1</sup>	Excess over maximum objective
Aluminum oxide, fused, crude:									
National stockpile	\$21,735,100	\$21,735,100		Short dry ton	200,093	200,093			
Supplemental—barter	22,747,400	22,747,400		do.	178,266	178,266			
Total	44,482,500	44,482,500		do.	378,359	278,359		200,000	178,359
Antimony:									
National stockpile	20,488,000	20,488,000		Short ton	30,301	30,301			
Supplemental—barter	12,245,709	12,501,785	+\$256,076	do.	21,072	21,483	+4,11		
Total	32,733,709	32,989,785	+256,076	do.	51,373	51,784	+411	70,000	(9)
Asbestos, amosite:									
National stockpile	2,637,600	2,637,600		do.	11,705	11,705			
Supplemental—barter	6,325,124	6,468,914	+143,790	do.	25,600	26,239	+639		
Total	8,962,724	9,106,514	+143,790	do.	37,305	37,944	+639	45,000	(9)
Asbestos, chrysotile:									
National stockpile	3,356,200	3,356,200		Short dry ton	6,224	6,224			
Defense Production Act	2,102,600	2,102,600		do.	2,848	2,848			
Supplemental—barter	3,934,500	3,934,500		do.	5,632	5,632			
Total	9,393,300	9,393,300		do.	14,104	14,104		11,000	3,104
Asbestos, crocidolite:									
National stockpile	702,100	702,100		Short ton	1,567	1,567			
Supplemental—barter	7,161,157	7,236,190	+75,033	do.	27,203	27,438	+235		
Total	7,863,257	7,938,290	+75,033	do.	28,770	29,005	+235	(9)	29,005
Bauxite, metal grade, Jamaica type:									
National stockpile	13,925,000	13,925,000		Long dry ton	879,740	879,740			
Defense Production Act	18,168,000	18,168,000		do.	1,370,077	1,370,077			
Supplemental—barter	89,245,063	89,353,258	+108,195	do.	5,773,494	5,780,590	+7,096		
Total	121,338,063	121,446,258	+108,195	do.	8,023,311	8,030,407	+7,096	2,600,000	5,430,407
Bauxite, metal grade, Surinam type:									
National stockpile	78,552,500	78,552,500		do.	4,962,706	4,962,706			
Supplemental—barter	45,326,200	45,326,200		do.	2,927,260	2,927,260			
Total	123,878,700	123,878,700		do.	7,889,966	7,889,966		6,400,000	1,489,966
Bauxite, refractory grade:									
National stockpile	11,347,800	11,347,800		Long calcined ton	299,279	299,279		137,000	162,279
Beryl:									
National stockpile	9,768,400	9,678,400		Short ton	23,230	23,230			
Defense Production Act	1,425,800	1,425,800		do.	2,543	2,543			
Supplemental—barter	22,788,000	22,788,000		do.	11,321	11,321			
Total	33,982,200	33,982,200		do.	37,094	37,094		23,100	13,994
Beryllium metal:									
Supplemental—barter	14,253,383	14,253,383		do.	123	123		(9)	123
Bismuth:									
National stockpile	2,674,300	2,674,300		Pound	1,342,402	1,342,402			
Defense Production Act	52,400	52,400		do.	22,901	22,901			
Supplemental—barter	5,540,200	5,540,200		do.	2,506,493	2,506,493			
Total	8,266,900	8,266,900		do.	3,871,796	3,871,796		3,000,000	871,796
Cadmium:									
National stockpile	20,606,600	20,327,700	-278,900	do.	10,496,794	10,354,727	-142,067		
Supplemental—barter	12,327,700	12,327,700		do.	7,448,989	7,448,989			
Total	32,934,300	32,655,400	-278,900	do.	17,945,783	17,803,716	-142,067	6,500,000	11,303,716
Castor oil:									
National stockpile	51,290,600	51,290,600		do.	196,035,582	196,035,582		22,000,000	174,035,582
Celestite:									
National stockpile	1,412,300	1,412,300		Short dry ton	28,816	28,816			
Supplemental—barter	102,353	225,646	+123,293	do.	2,693	5,416	+2,723		
Total	1,514,653	1,637,946	+123,293	do.	31,509	34,232	+2,723	22,000	12,232
Chromite, chemical grade:									
National stockpile	12,288,000	12,288,000		do.	559,452	559,452			
Supplemental—barter	21,766,349	21,766,349		do.	699,654	699,654			
Total	34,054,349	34,054,349		do.	1,259,106	1,259,106		475,000	784,106
Chromite, metallurgical grade:									
National stockpile	264,674,600	264,674,600		do.	3,797,409	3,797,409			
Defense Production Act	35,879,900	35,879,900		do.	985,646	985,646			
Supplemental—barter	224,671,600	224,671,600		do.	1,543,114	1,543,114			
Total	525,226,100	525,226,100		do.	6,326,169	6,326,169		2,970,000	3,356,169
Chromite, refractory grade:									
National stockpile	25,149,300	25,149,300		do.	1,047,159	1,047,159			
Supplemental—barter	5,578,370	5,039,000	-539,370	do.	198,624	179,775	-18,849		
Total	30,727,670	30,188,300	-539,370	do.	1,245,783	1,226,934	-18,849	1,300,000	(9)

See footnotes at end of table.

TABLE 1.—Strategic and critical materials inventories (all grades), June 1963 (showing by commodity net changes during the month in terms of cost value and quantity, and excesses over maximum objectives in terms of quantity as of the end of the month)—Continued

Commodity	Cost value			Unit of measure	Quantity				
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month		Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Maximum objective <sup>1</sup>	Excess over maximum objective
<b>Cobalt:</b>									
National stockpile.....	\$169,238,700	\$169,238,700	.....	Pound.....	76,725,545	76,725,545	.....	.....	.....
Defense Production Act.....	52,074,600	52,074,600	.....	do.....	25,194,122	25,194,122	.....	.....	.....
Supplemental—barter.....	2,169,000	2,169,000	.....	do.....	1,077,018	1,077,018	.....	.....	.....
Total.....	223,482,300	223,482,300	.....	do.....	102,996,685	102,996,685	.....	19,000,000	83,996,685
<b>Coconut oil:</b>									
National stockpile.....	13,432,800	12,706,400	—\$726,000	do.....	88,639,435	83,841,206	—4,798,229	( <sup>2</sup> )	83,841,206
<b>Colemanite:</b>									
Supplemental—barter.....	2,636,400	2,636,400	.....	Long dry ton.....	67,636	673,36	.....	( <sup>2</sup> )	67,636
<b>Columbium:</b>									
National stockpile.....	23,919,200	23,919,200	.....	Pound.....	7,487,499	7,487,499	.....	.....	.....
Defense Production Act.....	50,238,900	50,238,900	.....	do.....	8,222,684	8,222,684	.....	.....	.....
Supplemental—barter.....	799,100	799,100	.....	do.....	388,877	388,877	.....	.....	.....
Total.....	74,957,200	74,957,200	.....	do.....	16,099,060	16,099,060	.....	1,000,000	14,199,060
<b>Copper:</b>									
National stockpile.....	522,743,000	522,727,200	—15,800	Short ton.....	1,008,313	1,008,273	—40	.....	.....
Defense Production Act.....	60,111,000	59,918,400	—192,600	do.....	107,167	106,812	—355	.....	.....
Supplemental—barter.....	8,150,100	8,150,100	.....	do.....	12,382	12,382	.....	.....	.....
Total.....	591,004,100	590,795,700	—208,400	do.....	1,127,862	1,127,467	—395	2775,000	352,467
<b>Cordage fibers, abaca:</b>									
National stockpile.....	37,740,900	37,740,900	.....	Pound.....	149,736,028	149,736,028	.....	150,000,000	( <sup>4</sup> )
<b>Cordage fibers, sisal:</b>									
National stockpile.....	42,766,900	42,779,500	+12,600	do.....	315,983,593	316,123,573	+139,980	320,000,000	( <sup>4</sup> )
<b>Corundum:</b>									
National stockpile.....	393,100	393,100	.....	Short ton.....	2,008	2,008	.....	2,000	8
<b>Cryolite:</b>									
Defense Production Act.....	7,092,000	7,092,000	.....	do.....	25,683	25,683	.....	( <sup>5</sup> )	25,683
<b>Diamond dies:</b>									
National stockpile.....	483,600	488,100	+4,500	Piece.....	16,057	16,201	+144	25,000	( <sup>6</sup> )
<b>Diamond, industrial, crushing bort:</b>									
National stockpile.....	61,609,500	61,609,500	.....	Carat.....	31,113,411	31,113,411	.....	.....	.....
Supplemental—barter.....	15,456,700	15,800,500	+343,800	do.....	5,523,748	5,550,579	+26,831	.....	.....
Total.....	77,066,200	77,410,000	+343,800	do.....	36,637,159	36,663,990	+26,831	30,000,000	6,663,990
<b>Diamond, industrial, stones:</b>									
National stockpile.....	100,501,500	100,501,500	.....	do.....	9,315,183	9,315,183	.....	.....	.....
Supplemental—barter.....	186,668,300	186,324,500	—343,800	do.....	15,452,658	15,425,827	—26,831	.....	.....
Total.....	287,169,800	286,826,000	—343,800	do.....	24,767,841	24,741,010	—26,831	18,000,000	6,741,010
<b>Diamond tools:</b>									
National stockpile.....	1,015,400	1,015,400	.....	Piece.....	64,178	64,178	.....	( <sup>7</sup> )	64,178
<b>Feathers and down:</b>									
National stockpile.....	37,505,000	37,505,000	.....	Pound.....	9,052,886	9,052,886	.....	23,000,000	6,052,886
<b>Fluorspar, acid grade:</b>									
National stockpile.....	26,167,500	26,167,500	.....	Short dry ton.....	463,049	463,049	.....	.....	.....
Defense Production Act.....	1,394,400	1,394,400	.....	do.....	19,700	19,700	.....	.....	.....
Supplemental—barter.....	33,528,800	33,528,800	.....	do.....	673,232	673,232	.....	.....	.....
Total.....	61,090,700	61,090,700	.....	do.....	1,155,981	1,155,981	.....	280,000	875,981
<b>Fluorspar, metallurgical grade:</b>									
National stockpile.....	17,332,400	17,332,400	.....	do.....	369,443	369,443	.....	.....	.....
Supplemental—barter.....	1,508,100	1,508,100	.....	do.....	42,800	42,800	.....	.....	.....
Total.....	18,840,500	18,840,500	.....	do.....	412,243	412,243	.....	375,000	37,243
<b>Graphite, natural, Ceylon, amorphous lump:</b>									
National stockpile.....	937,900	937,900	.....	do.....	4,455	4,455	.....	.....	.....
Supplemental—barter.....	341,200	341,200	.....	do.....	1,428	1,428	.....	.....	.....
Total.....	1,279,100	1,279,100	.....	do.....	5,883	5,883	.....	3,600	2,283
<b>Graphite, natural, Madagascar, crystalline:</b>									
National stockpile.....	7,056,200	7,056,200	.....	do.....	34,233	34,233	.....	.....	.....
Supplemental—barter.....	221,143	221,143	.....	do.....	1,907	1,907	.....	.....	.....
Total.....	7,277,343	7,277,343	.....	do.....	36,140	36,140	.....	17,200	18,940
<b>Graphite, natural, other, crystalline:</b>									
National stockpile.....	1,896,300	1,896,300	.....	do.....	5,487	5,487	.....	2,100	3,387
<b>Hyosine:</b>									
National stockpile.....	30,600	30,600	.....	Ounce.....	2,100	2,100	.....	2,100	( <sup>6</sup> )
<b>Iodine:</b>									
National stockpile.....	4,082,000	4,082,000	.....	Pound.....	2,977,648	2,977,648	.....	.....	.....
Supplemental—barter.....	1,066,000	1,066,000	.....	do.....	994,920	994,920	.....	.....	.....
Total.....	5,148,000	5,148,000	.....	do.....	3,972,568	3,972,568	.....	4,300,000	( <sup>9</sup> )

See footnotes at end of table.



TABLE 1.—Strategic and critical materials inventories (all grades), June 1963 (showing by commodity net changes during the month in terms of cost value and quantity, and excesses over maximum objectives in terms of quantity as of the end of the month)—Continued

Commodity	Cost value			Quantity					
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Unit of measure	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Maximum objective <sup>1</sup>	Excess over maximum objective
Iridium:									
National stockpile	\$2,525,800	\$2,525,800		Troy ounce	13,937	13,937		4,000	9,937
Jewel bearings:									
National stockpile	4,055,500	4,110,500	+\$55,000	Piece	51,270,565	51,387,563	+116,998	57,500,000	(4)
Kyanite-mullite:									
National stockpile	803,100	798,800	-4,300	Short dry ton	9,289	9,239	-50	4,800	4,439
Lead:									
National stockpile	319,298,100	319,298,100		Short ton	1,050,370	1,050,370			
Defense Production Act	1,696,600	1,696,600		do	4,479	4,479			
Supplemental—barter	78,398,600	78,398,600		do	327,998	327,998			
Total	399,393,300	399,393,300		do	1,382,847	1,382,847		10	1,382,847
Magnesium:									
National stockpile	130,826,200	130,600,300	-225,900	do	180,208	179,896	-312	107,000	72,896
Manganese, battery grade, natural ore:									
National stockpile	21,025,500	21,025,500		do	144,485	144,485			
Supplemental—barter	14,080,898	13,621,900	-467,998	do	142,351	137,700	-4,651		
Total	35,115,398	34,647,400	-467,998	do	286,836	282,185	-4,651	50,000	232,185
Manganese, battery grade, synthetic di-									
oxide:									
National stockpile	3,095,500	3,095,500		Short dry ton	21,272	21,272			
Defense Production Act	2,524,700	2,524,700		do	3,779	3,779			
Total	5,620,200	5,620,200		do	25,051	25,051		20,000	5,051
Manganese, chemical grade, type A:									
National stockpile	2,133,300	2,133,300		do	29,307	29,307			
Supplemental—barter	7,898,600	7,898,600		do	117,607	117,607			
Total	10,031,900	10,031,900		do	146,914	146,914		30,000	116,914
Manganese, chemical grade, type B:									
National stockpile	132,600	132,600		do	1,822	1,822			
Supplemental—barter	6,683,300	6,683,300		do	99,016	99,016			
Total	6,815,900	6,815,900		do	100,838	100,838		53,000	47,838
Manganese, metallurgical grade:									
National stockpile	248,240,300	248,240,300		do	5,851,264	5,851,264			
Defense Production Act	176,474,400	176,474,400		do	3,056,691	3,056,691			
Supplemental—barter	233,672,555	236,271,711	+2,599,156	do	3,431,592	3,504,706	+73,114		
Total	658,387,255	660,986,411	+2,599,156	do	12,339,547	12,412,661	+73,114	6,800,000	5,612,661
Mercury:									
National stockpile	20,039,500	20,039,500		Flask	129,525	129,525			
Supplemental—barter	3,446,200 <sup>a</sup>	3,446,200		do	16,000	16,000			
Total	23,485,700	23,485,700		do	145,525	145,525		200,000	(4)
Mica, muscovite block:									
National stockpile	27,631,200	27,631,200		Pound	11,621,211	11,621,211			
Defense Production Act	40,857,700	40,857,700		do	6,456,251	6,456,251			
Supplemental—barter	5,024,690	5,100,741	+76,051	do	1,517,150	1,536,182	+19,032		
Total	73,513,590	73,589,641	+76,051	do	19,594,612	19,613,644	+19,032	8,300,000	11,313,644
Mica, muscovite film:									
National stockpile	9,058,100	9,058,100		do	1,733,083	1,733,083			
Defense Production Act	633,300	633,300		do	102,681	102,681			
Supplemental—barter	1,000,049	1,001,362	+1,313	do	102,514	102,614	+100		
Total	10,691,449	10,692,762	+1,313	do	1,938,278	1,938,378	+100	1,300,000	638,378
Mica, muscovite splittings:									
National stockpile	40,598,300	40,598,300		do	40,040,294	40,040,294			
Supplemental—barter	6,225,800	6,225,800		do	4,826,267	4,826,267			
Total	46,824,100	46,824,100		do	44,866,561	44,866,561		21,200,000	23,666,561
Mica, phlogopite block:									
National stockpile	303,600	303,600		do	223,239	223,239		17,000	206,239
Mica, phlogopite splittings:									
National stockpile	2,580,500	2,580,500		do	3,079,062	3,079,062			
Supplemental—barter	2,257,672	2,379,679	+121,907	do	1,911,482	1,971,397	+59,915		
Total	4,838,172	4,960,079	+121,907	do	4,990,544	5,050,459	+59,915	1,700,000	3,350,459
Molybdenum:									
National stockpile	84,528,100	84,196,200	-331,900	Pound	79,816,730	79,513,992	-302,738	59,000,000	20,513,992
Nickel:									
National stockpile	181,086,100	181,978,100	+8,000	do	334,296,915	334,272,028	-24,887		
Defense Production Act	102,577,400	102,162,900	-414,500	do	107,535,369	107,050,155	-485,214		
Total	284,563,500	284,141,000	-422,500	do	441,832,284	441,322,183	-510,101	200,000,000	341,322,183
Opium:									
National stockpile	13,661,700	13,661,700		do	195,757	195,757		2141,280	54,477

See footnotes at end of table.

TABLE 1.—Strategic and critical materials inventories (all grades), June 1963 (showing by commodity net changes during the month in terms of cost value and quantity, and excesses over maximum objectives in terms of quantity as of the end of the month)—Continued

Commodity	Cost value			Unit of measure	Quantity				
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month		Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Maximum objective <sup>1</sup>	Excess over maximum objective
Palladium:									
National stockpile.....	\$2,079,000	\$2,079,000		Troy ounce.....	89,811	89,811			
Defense Production Act.....	177,300	177,300		do.....	7,884	7,884			
Supplemental—barter.....	12,170,200	12,170,200		do.....	648,124	648,124			
Total.....	14,426,500	14,426,500		do.....	745,819	745,819		340,000	405,819
Palm oil:									
National stockpile.....	4,598,000	4,509,500	—\$88,500	Pound.....	25,545,593	25,053,989	—491,604	( <sup>2</sup> )	25,053,989
Platinum:									
National stockpile.....	56,879,900	56,879,900		Troy ounce.....	716,343	716,343			
Supplemental—barter.....	4,024,500	4,024,500		do.....	49,999	49,999			
Total.....	60,904,400	60,904,400		do.....	766,342	766,342		165,000	601,342
Pyrethrum:									
National stockpile.....	415,100	415,100		Pound.....	67,065	67,065		66,000	1,065
Quartz crystals:									
National stockpile.....	69,060,700	69,060,700		do.....	5,601,481	5,601,481			
Supplemental—barter.....	3,128,700	3,128,700		do.....	232,352	232,352			
Total.....	72,189,400	72,189,400		do.....	5,833,833	5,833,833		650,000	5,183,833
Quindine:									
National stockpile.....	2,010,900	2,010,900		Ounce.....	1,743,377	1,743,377		1,600,000	143,377
Quinine:									
National stockpile.....	3,622,600	3,622,600		do.....	5,727,732	5,727,732		( <sup>3</sup> )	5,727,732
Rare earths:									
National stockpile.....	7,134,900	7,134,900		Short dry ton.....	10,042	10,042			
Supplemental—barter.....	5,713,182	5,748,920	+35,738	do.....	7,251	7,492	+241		
Total.....	12,848,082	12,883,820	+35,738	do.....	17,293	17,534	+241	5,700	11,834
Rare earths residue:									
Defense Production Act.....	657,800	657,800		Pound.....	6,085,570	6,085,570		( <sup>3</sup> )	6,085,570
Rhodium:									
National stockpile.....	78,200	78,200		Troy ounce.....	618	618		( <sup>3</sup> )	618
Rubber:									
National stockpile.....	766,068,300	764,548,400	—1,519,900	Long ton.....	990,822	988,855	—1,967	750,000	238,855
Ruthenium:									
Supplemental—barter.....	559,500	559,500		Troy ounce.....	15,001	15,001		( <sup>3</sup> )	15,001
Rutile:									
National stockpile.....	2,070,100	2,070,100		Short dry ton.....	18,599	18,599			
Defense Production Act.....	2,725,100	2,725,100		do.....	17,410	17,410			
Supplemental—barter.....	1,061,300	1,061,300		do.....	11,632	11,632			
Total.....	5,856,500	5,856,500		do.....	47,641	47,641		65,000	( <sup>4</sup> )
Rutile chlorinator charge:									
Defense Production Act.....				do.....	7,038	6,817	—221	( <sup>3</sup> )	6,817
Sapphire and ruby:									
National stockpile.....	190,000	190,000		Carat.....	16,187,500	16,187,500		18,000,000	( <sup>4</sup> )
Selenium:									
National stockpile.....	757,100	757,100		Pound.....	97,100	97,100			
Supplemental—barter.....	1,070,500	1,070,500		do.....	156,518	156,518			
Total.....	1,827,600	1,827,600		do.....	253,618	253,618		400,000	( <sup>4</sup> )
Shellac:									
National stockpile.....	8,621,900	8,605,400	—16,500	do.....	17,197,814	17,165,033	—32,781	7,400,000	9765033
Silicon carbide, crude:									
National stockpile.....	11,394,500	11,394,500		Short ton.....	64,697	64,697			
Supplemental—barter.....	26,802,700	26,802,700		do.....	131,805	131,805			
Total.....	38,197,200	38,197,200		do.....	196,502	196,502		100,000	96,502
Silk noils and waste:									
National stockpile.....	1,723,500	1,607,900	—115,600	Pound.....	1,293,010	1,219,013	—73,997	970,000	249,013
Silk, raw:									
National stockpile.....	486,600	486,600		do.....	113,515	113,515		120,000	( <sup>4</sup> )
Sperm oil:									
National stockpile.....	4,775,400	4,755,400		do.....	23,442,158	23,442,158		<sup>2</sup> 23,400,000	42,158
Talc, steatite block and lump:									
National stockpile.....	496,800	496,800		Short ton.....	1,274	1,274		300	974
Talc, steatite ground:									
National stockpile.....	231,200	231,200		do.....	3,901	3,901		( <sup>3</sup> )	3,901
Tantalum:									
National stockpile.....	10,992,700	10,992,700		Pound.....	3,420,478	3,420,478			
Defense Production Act.....	9,734,400	9,734,400		do.....	1,531,366	1,531,366			
Supplemental—barter.....	21,100	21,100		do.....	8,036	8,036			
Total.....	20,748,200	20,748,200		do.....	4,959,880	4,959,880		2,420,000	2,539,880

See footnotes at end of table.



TABLE 1.—Strategic and critical materials inventories (all grades), June 1963 (showing by commodity net changes during the month in terms of cost value and quantity, and excesses over maximum objectives in terms of quantity as of the end of the month)—Continued

Commodity	Cost value			Unit of measure	Quantity				
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month		Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Maximum objective <sup>1</sup>	Excess over maximum objective
Thorium:									
Defense Production Act	\$42,000	\$42,000		Pound	848,354	848,354			
Supplemental—barter	17,411,129	17,486,238	+\$75,109	do	8,400,260	8,440,675	+40,425		
Total	17,453,129	17,528,238	+75,109	do	9,248,604	9,289,029	+40,425	( <sup>2</sup> )	9,289,029
Tin:									
National stockpile	816,241,000	816,070,600	-170,400	Long ton	335,692	335,622	-70		
Supplemental—barter	16,404,000	16,404,000		do	7,505	7,505			
Total	832,645,000	832,474,600	-170,400	do	343,197	343,127	-70	*200,000	143,127
Titanium:									
Defense Production Act	176,463,100	176,463,100		Short ton	22,415	22,415			
Supplemental—barter	32,097,700	32,097,700		do	9,021	9,021			
Total	208,560,800	208,560,800		do	31,436	31,436		( <sup>2</sup> )	31,436
Tungsten:									
National stockpile	369,127,300	369,127,300		Pound	120,071,339	120,071,339			
Defense Production Act	318,813,900	318,813,900		do	78,186,563	78,186,563			
Supplemental—barter	18,651,400	18,651,400		do	5,774,827	5,774,827			
Total	706,592,600	706,592,600		do	204,032,729	204,032,729		50,000,000	154,032,729
Vanadium:									
National stockpile	31,567,900	31,567,900		do	15,730,893	15,730,893		2,000,000	13,730,893
Vegetable tannin extract, chestnut:									
National stockpile	11,932,800	11,932,800		Long ton	42,770	42,770		30,000	12,770
Vegetable tannin extract, quebracho:									
National stockpile	49,194,400	49,188,200	-6,200	do	198,828	198,803	-25	180,000	18,803
Vegetable tannin extract, wattle:									
National stockpile	9,826,900	9,826,900		do	38,962	38,962		39,000	( <sup>2</sup> )
Zinc:									
National stockpile	364,353,200	364,346,400	-6,800	Short ton	1,256,866	1,256,848	-18		
Supplemental—barter	79,588,200	79,588,200		do	323,896	323,896			
Total	443,941,400	443,934,600	-6,800	do	1,580,762	1,580,744	-18	*0	1,580,744
Zirconium ore, baddeleyite:									
National stockpile	710,600	710,600		Short dry ton	16,533	16,533		( <sup>2</sup> )	16,533
Zirconium ore, zircon:									
National stockpile	202,200	189,400	-12,800	do	3,416	3,201	-215	( <sup>2</sup> )	3,201
Total:									
National stockpile	5,816,508,200	5,813,052,400	-3,455,800						
Defense Production Act	1,499,504,900	1,496,434,900	-3,070,000						
Supplemental—barter	1,338,072,033	1,340,697,172	+2,625,139						
Total, strategic and critical materials	8,654,085,133	8,650,184,472	-3,900,661						

<sup>1</sup> Maximum objectives for strategic and critical materials are determined pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98b). The Office of Emergency Planning is currently in the process of revising stockpile objectives. (See app. B, p. 21.)

<sup>2</sup> New objective. (See app. B, p. 21.)

\* No present objective.

<sup>2</sup> Not in excess of maximum objective.

Source: Compiled from reports submitted by the General Services Administration and the Department of Agriculture.

TABLE 2.—Agricultural commodities inventories, July 1963 (showing by commodity net changes during the month in terms of cost value and quantity)

Commodity	Cost value			Unit of measure	Quantity		
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month		Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month
Price-support inventory:							
Basic commodities:							
Corn	\$603,676,644	\$601,698,233	-\$1,978,411	Bushel	492,124,265	490,441,161	1,683,104
Cotton, extra-long staple	4,350,336	4,350,336		Bale	15,865	15,865	
Cotton, upland	714,465,702	647,367,508	-67,098,194	do	4,135,721	3,749,591	-386,229
Peanuts, farmers' stock	740,938	10,262	-730,676	Pound	6,936,508	104,707	-6,832,101
Peanuts, shelled	11,461,601	11,725,345	+263,744	do	66,944,036	68,707,457	+1,763,421
Rice, milled	139,012	139,012		Hundredweight	14,029	14,029	
Rice, rough	9,562,709	9,754,016	+191,307	do	1,796,161	1,831,930	+35,769
Wheat	2,167,741,439	2,159,134,221	-8,607,218	Bushel	1,082,464,091	1,077,064,550	-4,499,541
Bulgar	263,643	263,638	-5	Pound	4,854,112	4,854,112	
Total, basic commodities	3,512,402,024	3,434,492,571	-77,909,453				
Designated nonbasic commodities:							
Barley	40,632,360	43,174,088	+2,541,728	Bushel	46,975,637	49,981,957	+3,006,320
Grain sorghum	695,687,394	689,693,879	-5,993,515	do	633,412,519	627,204,171	-6,208,348
Milk and butterfat:							
Butter	220,836,783	230,980,809	+10,144,116	Pound	379,845,971	397,333,261	+17,487,290
Butter oil	72,189,754	75,812,629	+3,622,875	do	90,958,731	95,623,479	+4,664,748
Cheese	19,299,616	20,227,826	+928,210	do	51,420,373	53,861,359	+2,440,986
Ghee	1,751,446	1,751,446		do	2,169,888	2,169,888	
Milk, dried	104,267,892	109,755,986	+5,488,094	do	706,775,691	744,533,582	+37,757,891
Oats	11,150,720	11,465,445	+314,725	Bushel	18,623,062	19,129,773	+506,711
Rye	1,619,826	1,701,701	+81,875	do	1,563,326	1,641,719	+78,393
Total, designated nonbasic commodities	1,167,435,791	1,184,563,899	+17,128,108				

TABLE 2.—Agricultural commodities inventories, January 1963 (showing by commodity net changes during the month in terms of cost value and quantity)—Continued

Item	Cost value			Unit of measure	Quantity		
	Beginning of month, Apr. 1, 1963	End of month, Apr. 30, 1963	Net change during month		Beginning of month, Apr. 1, 1963	End of month, Apr. 30, 1963	Net change during month
Price-support inventory:							
Other nonbasic commodities:							
Beans, dry, edible.....	\$8,773,377	\$8,628,998	-\$144,379	Hundredweight..	1,167,649	1,142,699	-24,950
Cottonseed oil, refined.....	220,364	290,040	+69,676	Pound.....	1,267,537	1,739,132	+471,595
Flaxseed.....	15,793,357	16,059,077	+265,720	Bushel.....	5,327,184	5,415,584	+88,400
Soybeans.....	7,435,749	5,234,345	-2,201,404	do.....	3,181,807	2,219,134	-962,673
Turpentine.....	433,546	45,240	-388,306	Gallon.....	826,233	86,209	-740,024
Vegetable oil products.....	2,941,125	2,940,974	-151	Pound.....	17,362,311	17,362,311	-----
Total, other nonbasic commodities.....	35,597,518	33,198,674	-2,398,844	-----	-----	-----	-----
Total, price support inventory.....	4,715,435,333	4,652,255,144	-63,180,189	-----	-----	-----	-----
Inventory transferred from national stockpile: <sup>1</sup>							
Cotton, Egyptian.....	103,874,843	103,256,435	-618,408	Bale.....	122,955	122,223	-732
Cotton, American-Egyptian.....	23,734,148	23,734,148	-----	do.....	47,188	47,188	-----
Total, inventory transferred from national stockpile.....	127,608,991	126,990,583	-618,408	do.....	170,143	169,411	-732
Total, agricultural commodities.....	4,843,044,324	4,779,245,727	-63,798,597	-----	-----	-----	-----

<sup>1</sup> Transferred from General Services Administration pursuant to Public Law 85-96 and Public Law 87-548. (See app. A, p. 20612.)

Source: Compiled from reports submitted by the Department of Agriculture.

TABLE 3.—Civil defense supplies and equipment inventories, July 1963 (showing by item net changes during the month in terms of cost value and quantity)

Item	Cost value			Unit of measure	Quantity		
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month		Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month
Civil defense stockpile, Department of Defense:							
Engineering equipment (engine generators, pumps, chlorinators, purifiers, pipe, and fittings).....	\$10,015,517	\$10,019,829	+\$4,312	10-mile units	45	45	-----
Chemical and biological equipment.....	1,816,557	1,814,233	-2,324	(1)	-----	-----	-----
Radiological equipment.....	24,736,553	23,636,690	-1,099,863	(1)	-----	-----	-----
Total.....	36,568,627	35,470,752	-1,097,875	-----	-----	-----	-----
Civil defense medical stockpile, Department of Health, Education, and Welfare:							
Medical bulk stocks, and associated items at civil defense mobilization warehouses.....	144,150,887	146,525,451	+2,374,564	(1)	-----	-----	-----
Medical bulk stock at manufacturer locations.....	5,415,928	5,305,582	-110,346	(1)	-----	-----	-----
Civil defense emergency hospitals.....	37,444,461	37,371,677	-72,784	Each.....	1,930	1,930	-----
Replenishment units (functional assemblies other than hospitals).....	659,779	525,245	-134,534	(1)	-----	-----	-----
Total.....	187,671,055	189,727,955	+2,056,900	-----	-----	-----	-----
Total, civil defense supplies and equipment.....	224,329,682	225,198,707	+869,025	-----	-----	-----	-----

<sup>1</sup> Composite group of many different items.

Source: Compiled from reports submitted by the Department of Defense and the Department of Health, Education, and Welfare.

TABLE 4.—Machine tools inventories, June 1963 (showing by item net changes during the month in terms of cost value and quantity)

Item	Cost value			Unit of measure	Quantity		
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month		Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month
Defense Production Act:							
In storage.....	\$21,400	\$21,400	-----	Tool.....	7	7	-----
On lease.....	2,144,300	2,144,300	-----	do.....	103	103	-----
On loan.....	42,900	42,900	-----	do.....	7	7	-----
Total.....	2,208,600	2,208,600	-----	do.....	117	117	-----
National Industrial Reserve Act:							
In storage.....	79,933,300	79,933,300	-----	do.....	7,193	7,193	-----
On lease.....	27,500	27,500	-----	do.....	1	1	-----
On loan to other agencies.....	2,176,600	2,176,600	-----	do.....	225	225	-----
On loan to school programs.....	7,971,100	7,971,100	-----	do.....	1,916	1,916	-----
Total.....	90,108,500	90,108,500	-----	do.....	9,335	9,335	-----
Total, machine tools.....	92,317,100	92,317,100	-----	do.....	9,452	9,452	-----

Source: Compiled from reports submitted by the General Services Administration.



TABLE 5.—Helium inventories, July 1963 (showing by item net changes during the month in terms of cost value and quantity)

Item	Cost value			Quantity			
	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month	Unit of measure	Beginning of month, July 1, 1963	End of month, July 31, 1963	Net change during month
Helium:							
Stored aboveground.....	\$268,008	\$219,629	-\$48,379	Cubic foot.....	21,800,000	19,700,000	-2,100,000
Stored underground.....	8,039,125	9,000,110	+960,985	do.....	905,400,000	1,065,800,000	+160,400,000
Total, helium.....	8,307,133	9,219,739	+912,606	do.....	927,200,000	1,085,500,000	+158,300,000

Source: Compiled from reports submitted by the Department of the Interior.

#### APPENDIX A

#### PROGRAM DESCRIPTIONS AND STATUTORY CITATIONS

##### STRATEGIC AND CRITICAL MATERIALS

##### National stockpile

The Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) provides for the establishment and maintenance of a national stockpile of strategic and critical materials. The General Services Administration is responsible for making purchases of strategic and critical materials and providing for their storage, security, and maintenance. These functions are performed in accordance with directives issued by the Director of the Office of Emergency Planning. The act also provides for the transfer from other Government agencies of strategic and critical materials which are excess to the needs of such other agencies and are required to meet the stockpile objectives established by OEP. In addition, the General Services Administration is responsible for disposing of those strategic and critical materials which OEP determines to be no longer needed for stockpile purposes.

General policies for strategic and critical materials stockpiling are contained in DMO V-7, issued by the Director of the Office of Emergency Planning and published in the Federal Register of December 19, 1959 (24 F.R. 10309). Portions of this order relate also to Defense Production Act inventories.

##### Defense Production Act

Under section 303 of the Defense Production Act of 1950 (50 U.S.C. App. 2093) and Executive Order 10480, as amended, the General Services Administration is authorized to make purchases of or commitments to purchase metals, minerals, and other materials, for Government use or resale, in order to expand productive capacity and supply, and also to store the materials acquired as a result of such purchases or commitments. Such functions are carried out in accordance with programs certified by the Director of the Office of Emergency Planning.

##### Supplemental—Barter

As a result of a delegation of authority from OEP (32A C.F.R., ch. I, DMO V-4) the General Services Administration is responsible for the maintenance and storage of materials placed in the supplemental stockpile. Section 206 of the Agricultural Act of 1956 (7 U.S.C. 1856) provides that strategic and other materials acquired by the Commodity Credit Corporation as a result of barter or exchange of agricultural products, unless acquired for the national stockpile or for other purposes, shall be transferred to the supplemental stockpile established by section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1704(b)). In addition to the materials which have been or may be so acquired, the materials obtained under the programs established pursuant to the Domestic Tungsten, Asbestos, Fluorspar, and Columbian-Tantalum Production and Purchase Act of

1956 (50 U.S.C. App. 2191-2195), which terminated December 31, 1958, have been transferred to the supplemental stockpile, as authorized by the provisions of said Production and Purchase Act.

##### AGRICULTURAL COMMODITIES

##### The price-support program

Price-support operations are carried out under the charter powers (15 U.S.C. 714) of the Commodity Credit Corporation, Department of Agriculture, in conformity with the Agricultural Act of 1949 (7 U.S.C. 1421), the Agricultural Act of 1954 (7 U.S.C. 1741), which includes the National Wool Act of 1954, the Agricultural Act of 1956 (7 U.S.C. 1442), the Agricultural Act of 1958 and with respect to certain types of tobacco, in conformity with the act of July 28, 1945, as amended (7 U.S.C. 1312). Under the Agricultural Act of 1949, price support is mandatory for the basic commodities—corn, cotton, wheat, rice, peanuts, and tobacco—and specific nonbasic commodities; namely, tung nuts, honey, milk, butterfat, and the products of milk and butterfat. Under the Agricultural Act of 1958, as producers of corn voted in favor of the new price-support program for corn authorized by that act, price support is mandatory for barley, oats, rye, and grain sorghums. Price support for wool and mohair is mandatory under the National Wool Act of 1954, through the marketing year ending March 31, 1966. Price support for other nonbasic agricultural commodities is discretionary except that, whenever the price of either cottonseed or soybeans is supported, the price of the other must be supported at such level as the Secretary determines will cause them to compete on equal terms on the market. This program may also include operations to remove and dispose of or aid in the removal or disposition of surplus agricultural commodities for the purpose of stabilizing prices at levels not in excess of permissible price-support levels.

Price support is made available through loans, purchase agreements, purchases, and other operations and, in the case of wool and mohair, through incentive payments based on marketings. The producers' commodities serve as collateral for price-support loans. With limited exceptions, price-support loans are nonrecourse and the Corporation looks only to the pledged or mortgage collateral for satisfaction of the loan. Purchase agreements generally are available during the same period that loans are available. By signing a purchase agreement, a producer receives an option to sell to the Corporation any quantity of the commodity which he may elect within the maximum specified in the agreement.

The major effect on budgetary expenditures is represented by the disbursements for price-support loans. The largest part of the commodity acquisitions under the program result from the forfeiting of commodities pledged as loan collateral for which the expenditures occurred at the time of making the loan, rather than at the time of acquiring the commodities.

Dispositions of commodities acquired by the Corporation in its price-support operations are made in compliance with sections 202, 407, and 416 of the Agricultural Act of 1949, and other applicable legislation, particularly the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691), title I of the Agricultural Act of 1954, title II of the Agricultural Act of 1956, the Agricultural Act of 1958, the act of August 19, 1958, in the case of cornmeal and wheat flour, and the act of September 21, 1959, with regard to sales of livestock feed in emergency areas.

##### Inventory transferred from national stockpile

This inventory, all cotton, was transferred to Commodity Credit Corporation at no cost from the national stockpile pursuant to Public Law 85-96 and Public Law 87-548. The proceeds from sales, less costs incurred by CCC, are covered into the Treasury as miscellaneous receipts; therefore, such proceeds and costs are not recorded in the operating accounts. The cost value as shown for this cotton has been computed on the basis of average per bale cost of each type of cotton when purchased by CCC for the national stockpile.

##### CIVIL DEFENSE SUPPLIES AND EQUIPMENT

##### Civil defense stockpile

The Department of Defense conducts this stockpiling program pursuant to section 201(h) of Public Law 920, 81st Congress, as amended. The program is designed to provide some of the most essential materials to minimize the effects upon the civilian population which would be caused by an attack upon the United States. Supplies and equipment normally unavailable, or lacking in quantity needed to cope with such conditions, are stockpiled at strategic locations in a nationwide warehouse system consisting of general storage facilities.

##### Civil defense medical stockpile

The Department of Health, Education, and Welfare conducts the stockpiling program for medical supplies and equipment pursuant to section 201(h) of Public Law 920, 81st Congress, as delegated by the President following the intent of Reorganization Plan No. 1, 1958. The Department of Health, Education, and Welfare, plans and directs the procurement, storage, maintenance, inspection, survey, distribution, and utilization of essential supplies and equipment for emergency health services. The medical stockpile includes a program designed to preposition assembled emergency hospitals and other medical supplies and equipment into communities throughout the Nation.

##### MACHINE TOOLS

##### Defense Production Act

Under section 303 of the Defense Production Act of 1950 (50 U.S.C. App. 2093) and Executive Order 10480, as amended, the General Services Administration has acquired machine tools in furtherance of expansion of productive capacity, in accordance with programs certified by the Director of the Office of Emergency Planning.

### National industrial equipment reserve

Under general policies established and directives issued by the Secretary of Defense, the General Services Administration is responsible for care, maintenance, utilization, transfer, leasing, lending to nonprofit schools, disposal, transportation, repair, restoration, and renovation of national industrial reserve equipment transferred to GSA under the National Industrial Reserve Act of 1948 (50 U.S.C. 451-462).

### HELIUM

The helium conservation program is conducted by the Department of the Interior pursuant to the Helium Act, approved September 13, 1960 (Public Law 86-777; 74 Stat. 918; 50 U.S.C. 167), and subsequent appropriations acts which have established fiscal limitations and provided borrowing authority for the program. Among other things, the Helium Act authorizes the Secretary of the Interior to produce helium in Government plants, to acquire helium from private plants, to sell helium to meet current demands, and to store for future use helium that is so produced or acquired in excess of that required to meet current demands. Sales of helium by the Secretary of the Interior shall be at prices established by him which shall be adequate to liquidate the costs of the program within 25 years, except that this period may be extended by the Secretary for not more than 10 years for funds borrowed for purposes other than the acquisition and construction of helium plants and facilities.

This report covers helium that is produced in Government plants and acquired from private plants. Helium in excess of current demands is stored in the Cliffside gasfield near Amarillo, Tex. The unit of measure is cubic foot at 14.7 pounds per square inch absolute pressure and 70° F.

### APPENDIX B

#### NEW STOCKPILE OBJECTIVES

The Office of Emergency Planning is in the process of establishing new objectives for strategic and critical materials. Table 1 of this report reflects the new objectives for 12 materials: Aluminum, castor oil, chromite (metallurgical grade), copper, feathers and down, lead, mercury, nickel, opium, sperm oil, tin, and zinc. The new objectives for chromite (metallurgical grade), mercury, nickel, and sperm oil appear in the July report for the first time.

The following excerpts from OEP statements dated July 11 and 19, 1963, set forth the new policy with respect to objectives for strategic and critical materials:

"The Office of Emergency Planning is now conducting supply-requirements studies for all stockpile materials which will reflect current military, industrial, and other essential needs in the event of a conventional war emergency. On the basis of recently completed supply-requirements studies for the foregoing materials, the new stockpile objectives were established with the advice and assistance of the Interdepartmental Materials Advisory Committee, a group chaired by the Office of Emergency Planning and composed of representatives of the Department of State, Defense, the Interior, Agriculture, Commerce, and Labor, and the General Services Administration, the Agency for International Development, and the National Aeronautics and Space Administration. Representatives of the Bureau of the Budget, the Atomic Energy Commission, and the Small Business Administration participate as observers.

These new objectives reflect a new policy to establish a single objective for each stockpile material. They have been determined on the basis of criteria heretofore used in establishing maximum objectives, and reflect the approximate calculated emergency deficits for

the materials for conventional war and do not have any arbitrary adjustments for possible increased requirements for other types of emergency.

Heretofore, there was a "basic objective" and a "maximum objective" for each material. The basic objectives assumed some continued reliance on foreign sources of supply in an emergency. The former maximum objectives completely discounted foreign sources of supply beyond North America and comparable accessible areas.

Previously, maximum objectives could not be less than 6 months' normal usage of the material by industry in the United States in periods of active demand. The 6-month rule has been eliminated in establishing the new calculated conventional war objectives.

The Office of Emergency Planning also announced that the present Defense Mobilization Order V-7, dealing with general policies for strategic and critical materials stockpiling, was now being revised to reflect these new policies. When finally prepared and approved, the new order will be published in the Federal Register.

New conventional war objectives for the remaining stockpile materials are being developed as rapidly as new supply-requirements data become available. They will be released as they are approved.

The Office of Emergency Planning is also making studies to determine stockpile needs to meet the requirements of general nuclear war and reconstruction. Stockpile objectives for nuclear war have not previously been developed. Some commodity objectives may be higher and others may be lower than the objectives established for conventional war.

After the nuclear war supply-requirements studies are completed, stockpile objectives will be based upon calculated deficits for either conventional war or nuclear war, whichever need is larger.

The Office of Emergency Planning stressed that any long-range disposal programs undertaken prior to the development of objectives based on nuclear war assumptions would provide against disposing of quantities which might be needed to meet essential requirements in the event of nuclear attack. While the disposal of surplus materials can produce many problems which have not heretofore arisen, every effort will be made to see that the interests of producers, processors, and consumers, and the international interests of the United States are carefully considered, both in the development and carrying out of disposal programs. Before decisions are made regarding the adoption of a long-range disposal program for a particular item in the stockpile, there will be appropriate consultations with industry in order to obtain the advice of interested parties.

#### STATEMENT BY SENATOR BYRD OF VIRGINIA

The cost value of Federal stockpile inventories as of July 31, 1963, totaled \$13,756,165,745. This was a net decrease of \$65,827,627 as compared with the July 1 total of \$13,821,993,372.

Net changes during the month are summarized by major category as follows:

Major category	Cost value, July 1963	
	Net change during month	Total, end of month
Strategic and critical materials.....	-\$3,900,061	\$8,650,184,472
Agricultural commodities.....	-63,798,597	4,779,245,727
Civil defense supplies and equipment.....	+959,025	225,198,707
Machine tools.....	.....	92,317,100
Helium.....	+912,606	9,219,739
Total.....	-65,827,627	13,756,165,745

These figures are from the July 1963 report on Federal stockpile inventories compiled from official agency data by the Joint Committee on Reduction of Nonessential Federal Expenditures, showing detail with respect to quantity and cost value of each commodity in the inventories covered.

#### STRATEGIC AND CRITICAL MATERIALS

So-called strategic and critical materials are stored by the Government in (1) the national stockpile, (2) the Defense Production Act inventory, and (3) the supplemental-barter stockpile.

Overall, there are now 94 materials stockpiled in the strategic and critical inventories. Maximum objectives—in terms of volume—are presently fixed for 76 of these 94 materials. Of the 76 materials having maximum objectives, 61 were stockpiled in excess of their objectives as of July 31, 1963.

The Office of Emergency Planning is in the process of establishing new objectives for strategic and critical materials. This report contains pertinent agency explanation and reflects the new objectives for 12 materials, 4 of which—chromite (metallurgical grade), mercury, nickel, and sperm oil—appear for the first time in July.

Increases in cost value were reported in 16 of the materials stockpiled in all strategic and critical inventories, decreases were reported in 19 materials, and 59 materials remained unchanged during July.

#### National stockpile

The cost value of materials in the national stockpile as of July 31, 1963, totaled \$5,813,052,400. This was a net decrease of \$3,455,800 during the month. The largest decreases were \$1,519,900 in rubber and \$726,400 in coconut oil.

#### Defense Production Act inventory

The cost value of materials in the Defense Production Act inventory as of July 31, 1963, totaled \$1,496,434,900. This was a net decrease of \$3,070,000. The largest decrease was \$2,462,900 in aluminum.

#### Supplemental barter

The cost value of materials in the supplemental-barter stockpile as of July 31 totaled \$1,340,697,172. This was a net increase of \$2,625,139. The largest increase was in manganese.

#### OTHER STOCKPILE INVENTORIES

Among the other categories of stockpiled materials covered by the report, the largest is \$4.8 billion in agricultural commodities. Major decreases in agricultural commodities during July were reported for cotton and wheat, partially offset by increases in milk and butterfat.

Inventories of civil defense supplies and equipment showed increases in medical stocks; the machine tools inventories showed no change; and the helium inventories showed a net increase during July.

#### REPORT ON DISPOSITION OF EXECUTIVE PAPERS

Mr. JOHNSTON, from the Joint Select Committee on the Disposition of Papers in the Executive Departments, to which was referred for examination and recommendation a list of records transmitted to the Senate by the Archivist of the United States, dated October 29, 1963, that appeared to have no permanent value or historical interest, submitted a report thereon, pursuant to law.

#### BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unan-



imous consent, the second time, and referred as follows:

By Mr. BURDICK:

S. 2303. A bill to provide for a highway bridge across the Missouri River between Bismarck, N. Dak., and Mobridge, S. Dak.; to the Committee on Public Works.

By Mr. TOWER:

S. 2304. A bill to extend for 3 years Public Laws 815 and 874, 81st Congress, providing assistance for schools in areas affected by Federal activities; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. Tower when he introduced the above bill, which appear under a separate heading.)

By Mr. SCOTT:

S. 2305. A bill to provide for the establishment of the Allegheny Portage Railroad National Historic Site and the Johnstown Flood National Memorial in the State of Pennsylvania, and for other purposes; to the Committee on Interior and Insular Affairs.

S. 2306. A bill to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon certain claims of Arlene Coats, a partnership consisting of Sidney Berkenfeld and Benjamin Prepon; to the Committee on the Judiciary.

By Mr. KEATING (for himself and Mr. JAVITS):

S.J. Res. 132. Joint resolution for the relief of certain aliens; to the Committee on the Judiciary.

#### EXTENSION OF IMPACTED AREAS LEGISLATION VITAL

Mr. TOWER. Mr. President, I rise today to introduce a bill incorporating legislation already passed this session by the Senate. My purpose in making such an unusual introduction is to call to my colleagues' attention an emergency that is developing swiftly and is threatening to overtake more than 4,000 school districts across our Nation.

The emergency lies in the failure of the Congress yet to enact an extension of the impacted areas program of assistance to local education. Some 2 million pupils are involved; more than \$2½ million.

The Senate, of course, approved a 3-year extension of the impacted areas program as a part of H.R. 4955 as amended by the Senate Committee on Labor and Public Welfare. I felt that the strategy of including impacted areas legislation in a bill embodying other more controversial provisions might lead to an unnecessary delay. I know that a number of my colleagues shared that view.

For whatever reason, that delay is now upon us. The conferees have not been able to reach agreement on the bill, and thus extension of impacted areas assistance is tied up for an indefinite period.

The bill I introduced today embodies the section of H.R. 4955 applying to impacted areas. The language is identical to that already approved by the Senate. It is my hope that, handled as a separate matter, this bill can be swiftly considered and sent to the other body. Although there are differences between the houses on this extension, I hope that by concentrating on this single program the distinguished conferees will be able to reach quick agreement allowing the program to continue.

Mr. President, impacted areas assistance has been on the lawbooks since 1950. In that time a total of \$1.426 billion has been appropriated under Public Law 874, and a total of \$1.087 billion under Public Law 815. These figures show how extensive the program has become; how vital it is for the educational system; how important it is that the Congress act promptly.

More than 4,000 local school districts are being placed in the impossible position of being unable to complete budgets for the fiscal year. Without budgets they do not have any idea how large an educational program they can attempt—how many teachers to hire, what salaries to pay, what additions to undertake.

In short, by delaying approval of this program, the Congress is tampering with the education of millions of American pupils.

As the Senate knows, impacted areas legislation simply calls for Federal subsidization of schools in areas where there are Federal defense establishments such as Air Force, Army, and Navy bases, and where an undue and unusual load has been placed on the local school system because of the Federal installation.

It is well known that I am opposed to Federal aid to education through grant and loan programs, but when the Federal Government places an undue burden on a local school district, and when the local district does not have compensating tax revenue sources, then I think it is the responsibility of the Federal Government to provide funds for relief of the critical situation it has created.

Federally impacted areas have problems that other communities do not have to face. First, there is the sudden impact of an accelerated population increase. This in turn creates the problem of increasing all public services—schools, roads, water supplies, transportation. All this creates an abnormal drain on local resources that cannot be met by the normal solution of raising local tax rates. And, we must remember that because the population of many of these areas fluctuates and because the Federal activity often is unstable, there is less investment in these areas in permanent residential and commercial property.

For all these reasons, extension of impacted areas legislation is imperative.

Because more than 4,000 school districts are marking time awaiting a decision on this legislation, the Congress must act now.

Therefore, I send to the desk this bill embodying a simple 3-year extension of impacted areas legislation, and I ask unanimous consent that it lie at the desk before printing through the close of business, Friday, November 15, so that other Senators may join as cosponsors if they so desire.

And, Mr. President, I ask unanimous consent that there be printed in the Record at this point in my remarks two tables setting forth the current data on the allocation of funds under each of the applicable statutes.

The ACTING PRESIDENT pro tempore. The bill will be received and ap-

propriately referred; and, without objection, the bill will lie at the desk as requested, and the tables will be printed in the Record.

The bill (S. 2304) to extend for 3 years Public Laws 815 and 874, 81st Congress, providing assistance for schools in areas affected by Federal activities, introduced by Mr. TOWER, was received, read twice by its title, and referred to the Committee on Labor and Public Welfare.

The tables presented by Mr. Tower are as follows:

I.—Public Law 815: Federal funds reserved, for local educational agencies and Federal installations, for construction

State	Total	
	1951-62	1962
Total.....	\$1,069,873,115	\$71,820,859
Alabama.....	21,659,507	435,336
Alaska.....	29,283,725	3,173,420
Arizona.....	37,888,304	3,118,460
Arkansas.....	15,000,595	755,229
California.....	172,446,297	10,133,191
Colorado.....	20,527,133	1,814,642
Connecticut.....	12,214,944	2,377,916
Delaware.....	3,053,067	
Florida.....	29,813,885	4,591,787
Georgia.....	36,088,738	1,651,914
Hawaii.....	18,863,589	
Idaho.....	8,022,211	1,326,068
Illinois.....	14,872,973	136,645
Indiana.....	9,094,915	
Iowa.....	2,274,377	16,520
Kansas.....	19,041,365	772,763
Kentucky.....	15,746,397	33,000
Louisiana.....	7,003,264	86,135
Maine.....	7,631,699	1,660,000
Maryland.....	53,818,029	4,607,407
Massachusetts.....	13,143,167	1,040,896
Michigan.....	46,312,077	2,874,702
Minnesota.....	3,985,029	45,381
Mississippi.....	8,152,070	30,080
Missouri.....	19,924,415	296,124
Montana.....	11,197,637	2,302,433
Nebraska.....	7,887,801	2,107,063
Nevada.....	9,234,886	1,573,650
New Hampshire.....	1,719,954	
New Jersey.....	13,828,991	1,063,052
New Mexico.....	39,782,535	1,522,471
New York.....	20,209,688	1,279,310
North Carolina.....	20,242,802	1,143,730
North Dakota.....	4,624,311	869,960
Ohio.....	24,776,954	1,406,598
Oklahoma.....	30,184,745	1,962,928
Oregon.....	4,159,318	16,675
Pennsylvania.....	4,549,996	44,010
Rhode Island.....	4,311,395	116,000
South Carolina.....	17,458,233	785,655
South Dakota.....	9,145,125	2,283,430
Tennessee.....	8,954,714	19,090
Texas.....	65,788,334	3,624,247
Utah.....	12,025,862	1,094,329
Vermont.....	185,111	
Virginia.....	73,693,183	6,035,453
Washington.....	47,751,320	934,943
West Virginia.....	243,148	75,000
Wisconsin.....	2,013,328	248,990
Wyoming.....	2,327,548	48,056
Guam.....	2,818,373	
Puerto Rico.....	4,583,180	130,320
Virgin Islands.....		
Wake Island.....	372,871	125,750

II.—Public Law 874: Appropriations, fiscal year 1962

Category and State	1962
	(1)
Appropriations.....	\$247,000,000
Total entitlements.....	1,246,633,498
Net entitlements:	
Alabama.....	5,349,576
Alaska.....	6,808,231
Arizona.....	5,189,876
Arkansas.....	1,428,031
California.....	42,033,957
Colorado.....	7,163,724
Connecticut.....	2,457,392
Delaware.....	259,832
Florida.....	6,215,166
Georgia.....	5,592,672

<sup>1</sup> May be changed on basis of additional information.

II.—Public Law 874: Appropriations, fiscal year 1962—Continued

Category and State	1962 (1)
Net entitlements:	
Hawaii	\$4,938,280
Idaho	1,913,609
Illinois	4,852,945
Indiana	1,282,105
Iowa	532,322
Kansas	538,375
Kentucky	1,474,530
Louisiana	964,454
Maine	2,062,810
Maryland	9,461,446
Massachusetts	7,131,493
Michigan	1,918,719
Minnesota	501,835
Mississippi	1,840,855
Missouri	2,724,784
Montana	2,186,652
Nebraska	2,757,568
Nevada	1,569,402
New Hampshire	1,320,536
New Jersey	5,974,390
New Mexico	5,172,539
New York	6,058,625
North Carolina	2,781,324
North Dakota	916,227
Ohio	5,615,602
Oklahoma	7,490,344
Oregon	1,176,678
Pennsylvania	5,096,775
Rhode Island	2,218,765
South Carolina	3,809,630
South Dakota	2,425,471
Tennessee	2,511,403
Texas	13,981,061
Utah	2,257,324
Vermont	57,533
Virginia	15,559,386
Washington	9,611,802
West Virginia	141,120
Wisconsin	702,584
Wyoming	931,349
Guam	188,432
Virgin Islands	71,150
Payments to Federal agencies	13,379,770

Gordon S. Seagrave, introduced by Mr. HART (for himself and other Senators) on November 5, 1963.

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6868) making appropriations for the legislative branch for the fiscal year ending June 30, 1964, and for other purposes; that the House receded from its disagreement to the amendments of the Senate numbered 14, 33, and 39 to the bill, and concurred therein, and that the House receded from its disagreement to the amendment of the Senate numbered 32 to the bill, and concurred therein, with an amendment, in which it requested the concurrence of the Senate.

#### VETERANS DAY TRIBUTE TO THE NATIONAL GUARD AND THE RESERVE

Mr. WALTERS. Mr. President, it befits us here today to reaffirm our allegiance to those hallmarks—patriotism and readiness. Today our guardsmen and reservists are indelibly stamped with these principles which have motivated the men of our Nation to meet the many threats to the safety and well-being of our homes and families and to our Government, over the years. To me, the citizen soldier is a manifestation of a spirit essential to our existence as a free and democratic nation—the spirit which has been demonstrated by their voluntary service in peace and war against any element that would harm our people.

The hardy and self-reliant pioneers of Tennessee as a State and territory descended from some of the best fighting strains in the world—Anglo-Saxon, Scotch-Irish, Huguenot, and Welsh. Tennessee is known as the Volunteer State. As we well know, the Declaration of Independence was adopted by the Continental Congress in 1776. Four years later we were still fighting to hold the independence which that historic document declared. The first recorded call for volunteers in Tennessee history is found in the records of Col. John Sevier, Washington County, Tennessee Territory, who on March 19, 1780, issued a call for 100 good men. Two hundred answered. He and the militiamen he commanded did their part to insure our independence.

But it was not until the war with Mexico that Volunteer State became the byword for Tennessee. Congress called for 50,000 volunteers. Tennessee's quota was 2,600. When the volunteers were counted, there were more than 26,000 from Tennessee alone. Balloting was used to determine which of the original volunteers would be accepted, and the campaigning for this privilege of volunteering was conducted as sharply and as seriously as a race for high political honor today. Before the end of the War of 1812, when Andrew Jackson was ready

to march to New Orleans over the Natchez Trace to fight the British under Lord Pakenham, opportunities to enlist were so eagerly sought that men paid for the privilege of volunteer service.

During World War II, seven draft boards never had to draft a man because volunteers filled Tennessee's quotas.

Tennessee's guardsmen have participated with force, fervor, and fame in our Nation's wars, starting with the Revolution.

While we desire to pay tribute to past achievements, the enormity of the present-day challenges compels us to consider the future. Our Constitution is designed to discourage a large permanent Army. On the other hand, the shrinkage of time brought about by supersonic transportation and instant communications systems makes it impossible to wait until the danger is imminent to train our manpower. There are those who argue that we really do not have so much need for our Reserve components—that war has changed so materially that we should have an Army continuously large enough to meet any conceivable crisis. I can assure you Mr. President, that I do not agree with them. Crises come and go, and we are strengthened considerably by this large pool of trained manpower who have volunteered to serve and be called when needed. Our Reserve components must, however, be ready as never before, and must also fit into the war plans of the "one-Army team."

With a strength of only a little over 960,000 men and women, the Active Army provides the key part of the forward line of defense of the free world. With U.S. military assistance advisory groups and military missions established in over 40 countries of Europe, Asia, and South America, the Army assists in training nearly 200 ground combat divisions in countries of the free world. Also, it maintains a strategic reserve of combat divisions capable of reinforcing immediately our overseas theaters or of coming with limited war anywhere.

One of the Army's most important capabilities is that of being ready to undergo full-scale expansion in the event of a general war. This capability is the key to the success of our one-Army concept, and our Reserve components are essential with their paid drill strength of approximately 700,000 stationed in communities throughout the country.

In the event of full-scale mobilization, the Reserve component units expanded to full combat strength would increase the size of our Active Army many times its present strength. The combat units have some of the latest equipment in the Army's inventory, and continued emphasis is being given to acquiring more up-to-date equipment for them. The 30th Armored Division is a part of the immediate Reserve. As such it is authorized to maintain a high percentage of its full organizational strength, and will be given preferential treatment in the allotment of available equipment.

Continued emphasis is being placed on programs bringing the Reserve component units to the highest possible state of mobilization readiness. Probably the

#### AMENDMENT OF SMALL BUSINESS ACT—AMENDMENTS (AMENDMENT NO. 318)

Mr. HART (for himself, Mr. HUMPHREY, Mr. MCCARTHY, Mr. McNAMARA, Mr. NELSON, and Mr. PROXMIER) submitted amendments, intended to be proposed by them, jointly, to the bill (S. 1309) to amend the Small Business Act, and for other purposes, which were ordered to lie on the table and to be printed.

#### FEDERAL SERVICE PROCUREMENT—ADDITIONAL COSPONSORS OF BILL

Mr. BENNETT. Mr. President, since my bill on Federal service procurement (S. 2254) was printed, eight additional Senators have asked to be included as cosponsors of the bill. I ask unanimous consent that at the next printing of the bill the names of Senators HRUSKA, PROUTY, RIBICOFF, BAYH, MILLER, JAVITS, JORDAN of Idaho, and THURMOND be added as cosponsors of the bill.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### AWARD OF MEDAL TO DR. GORDON S. SEAGRAVE—ADDITIONAL COSPONSORS OF JOINT RESOLUTION

Under authority of the order of the Senate of November 5, 1963, the names of Mr. LONG of Missouri, Mr. PELL, Mr. WILLIAMS of New Jersey, and Mr. YARBOROUGH were added as additional cosponsors of the joint resolution (S.J. Res. 131) to authorize the President of the United States to award a medal to Dr.



best test of whether these programs are paying off is the amount of time it will take after mobilization to prepare the Reserve components for their post mobilization roles. The Berlin crisis in the fall of 1961 was an actual test of the mobilization readiness of our Reserves. This partial mobilization revealed a number of deficiencies which the Defense Department has since been working diligently to correct. Plans are also under way to shorten the period required for units to become fully combat ready.

We came through World War II with the biggest bomb in the world, the "blockbuster," which had the explosive equivalent of 6 tons of TNT and 1 ton of TNT was a good unit of measurement.

It is easy to see that the Defense Department is in the time business. No longer can we count on adequate warning of either an impending or an actual attack. We cannot afford to take chances, because in the 5,000 years of mankind's history time has been compressed.

For over 4,900 of the 5,000 years of this history, the speed of man's progress was measured by the speed at which he could travel. That speed was the speed of the horse and the oxcart, which never exceeded a few miles a day. Man could go only as fast as a horse could carry or pull him. Rich man, poor man—both could travel only as fast as the oat burner could carry him.

In the time of Paul Revere, American history was made only as fast as a horse could gallop.

In 1830 man broke the oat barrier with the iron horse.

In 1910 we bought the first military plane, and it reached the incredible speed of 42 miles per hour. By World War I, we were getting speeds of 100 miles per hour on the automobile race-track and with some aircraft, and toward the end could boast of 150 miles per hour in the air. At the beginning of World War II we were at 200 miles per hour and ended at about 470 miles per hour, which was top secret. And then came the break through the sound barrier. Now we glibly talk about 18,000 miles per hour. Few people can realize how quickly we have progressed from the oat burner to the atom burner, but in 1956 the pilot of a Navy plane fired his guns, then the plane overtook its own bullets and shot itself down.

Now one can fly from coast to coast in seemingly less time than it takes him to get his baggage after he gets there.

The atom bomb changes all that. We invented the word "kiloton," meaning a thousand tons of TNT; but for the H-bomb we invented "megaton," measuring 1 million tons. And how big is a megaton? It would fill a string of boxcars, stretching for over 200 miles, and would roughly equal 166,000 blockbusters of World War II.

In World War I we talked of ranges around 20,000 or 30,000 yards, and in World War II of maybe 80,000 yards. Then yards as a measure of range became obsolete; so now we talk of thousands of miles.

Technology is the machine that multiplies a man's strength a billion times.

To think that the world is 25,000 miles around is like thinking of money in terms of 1914 dollars. But even the mile has shrunk more than the dollar.

Already in our lifetimes we have seen more technological change than in all the previous history of the world. The little world in which we were born and educated is not here any more.

If there is anything we can learn from history, it is that man seldom profits by it, even when he could. One thing we can learn, that the newer anything is, the more complex it is, and the more complex it is, the sooner it becomes obsolete.

There was a time when war was very simple and a bunch of guys went out into the field and battered each other's brains out while the rest of the people went on living as though nothing much was happening. In such a war the artillery lent the only dignity to what was otherwise just a disgraceful brawl.

Now war has gone technological. A Nike missile system contains 1.5 million parts, 217,000 feet of conductor wire, 2,000 feet of coaxial cable, 2,000 electron tubes, 12,000 resistors, 5,000 capacitors, 460 relays, 1,250 coils, plus numerous other items.

Clubs were good weapons for thousands of years. And then the complicated bow and arrow was invented, but they did not last as long as the club. Then we had the new ultimate weapon, but today's will not last as long as the bow and arrow, because it is more complicated.

Technology is a peculiar thing—it has no morals; it may be used for good or evil. It has no nationality; it may be used by friend or foe; it can eliminate polio or people; and it has no feelings. It can be used to create a hell or paradise.

Some people say we are not prepared for war. Somebody is going to ask if we are planning for a long war or a short war. Ask the fire department if it is planning for a big fire or a small one.

We do not plan on starting any wars. But we must recognize that we have potential enemies. There may be no timely warning of any impending or actual attack. So we hope that the precautions of being well prepared will cause our enemies to hesitate and think before starting a war. Nonpreparedness invites war. We will have little or no time to prepare after the enemy attacks.

I believe that preparedness does deter aggression. I believe that if you are prepared, and conspicuously prepared, you are not likely to get into a fight. I never heard of anyone picking a fight with a guy unless he thought there was a chance of beating him.

In our time things are exploding. If you are 20 or 30 months behind the time, you are further behind than being 20 or 30 years behind in your father's time. If we fail to maintain the pace we can be only a second-class nation. War is that peculiar game in which no medals are awarded for second place.

It has been said that if we build up our defenses and they are not needed, we lose only dollars. If we do not have them, and they are needed, we lose our country.

But remember, regardless of all of the technology we have now, and the great weapons we have produced, the centuries-old hunt for the ultimate weapon reveals that man himself is the ultimate weapon, and will always remain so. But the only place where the ultimate weapon can come from is the community. The ultimate weapon is the soldier, guardsmen, and reservists who make the sacrifices necessary to attain the victory. This contribution of the community demonstrates the spirit of a great State and Nation. This is your great privilege, your responsibility, your job as Americans.

#### OPEN MARKET FINANCING FOR REA

Mr. LAUSCHE. Mr. President, pending in the Agriculture Committee of the Senate is a bill introduced by me which, if enacted, will substantially change the terms, conditions, and the rate of interest under which loans made by the Rural Electrification Administration are authorized. I introduced this bill because it is apparent that the original purpose for which the REA was created has been achieved—at present practically 98 percent of the farmers of the Nation being served with electricity; moreover, that there was no justification for the U.S. Government lending money to rural electric cooperatives at 2-percent interest when the Government in borrowing the money with which to make the loan had to pay a rate of interest of about 4 percent; also that our efforts of keeping Government out of business would be greatly hampered and the tax revenues of the Federal Government adversely and seriously impaired if the Government perpetuated a tax situation under which rural electric cooperatives paid 3.2 cents of their annual revenues in taxes while private power companies paid 22.8 cents.

When the REA law was passed the rate of interest was fixed at 3 percent and in 1945 lowered and then pegged at 2 percent deliberately to aid the rural electric to establish themselves and to be able to serve the farmers. It was believed, and in all probability it was so, that the moneys could not be borrowed in the open public market at a rate of interest that would have enabled these rural electric to survive. That situation, however, in the course of time has completely changed. Money can now be borrowed in the open market at a rate of interest that will enable these rural electric to expand if they so desire.

A good example of what the lending capacity of the open market is has been revealed by the encouraging experience in Ohio. In my State 30 rural cooperatives formed a supercooperative called the Buckeye Power Co. This combination of 30 rural cooperatives operating under the name of the Buckeye Electric Power Co. has joined forces with a subsidiary of the investor-owned American Electric Power Co. to set up a new \$125 million generating plant. This combination of 30 rural electric co-ops in putting up its share of the money to construct the generating plant is not borrowing it from the Rural Electrification

Administration of the Federal Government but has gone into the open market to raise their share of the capital by borrowing from general institutional lenders.

The powerplant which is being built with a combination of capital provided by the private power companies on the one hand and the 30 rural electric co-ops on the other will have the largest power generating capacity of any plant under one roof in the world. The ability of rural cooperatives to borrow in the open market rather than from the Federal Government is clearly demonstrated by this Ohio experience. It constitutes substantial proof that the laws of the Federal Government on rural electrics need modification.

#### ACCOMPLISHMENTS OF THE SENATE LEADERSHIP

Mr. AIKEN. Mr. President, I call attention to the fact that remaining on the Senate Calendar are only 20 bills or resolutions, and they include House bill 7885 which now is before the Senate. Of these 20, only 8 can be considered controversial in any sense of the word; the other 12 would take perhaps 30 minutes to dispose of.

Mr. President, the condition of the calendar, with virtually no work for the

Senate on it, is in itself the greatest tribute to the leadership of this body which can be found.

Mr. MORSE. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. MORSE. I join in the statement of the Senator from Vermont. I suggest that in the next day or two a compilation of the legislative accomplishments of the Senate at this session be prepared and printed in the RECORD, because it also will buttress and fortify the observation of the Senator from Vermont as to the effectiveness of the leadership of the Senate in proceeding with the legislative program which awaits our attention.

The Senator from Vermont is quite correct in saying that on the calendar there are only 20 bills or resolutions. If he does not object, I shall ask unanimous consent that the Senate's Legislative Calendar be printed at this point in the RECORD, because I believe it is a complete rebuttal to the statements of those who seek to give the impression that the Senate has been dragging its heels, insofar as the floor work of our leadership is concerned. That is not so.

Even of the eight measures on the calendar which the Senator from Vermont has said might be considered con-

troversial, I do not believe any one of them would be classified by any of those of us of long experience in the Senate as being major.

Mr. AIKEN. Yes.

Mr. MORSE. Yet we continue to be charged in some quarters in the press and elsewhere as not doing our job.

Certainly it is not our fault if some bill is not reported from a committee; and it may not be the fault of the committee, either. Certainly it is not our fault that a civil rights bill is not pending in the Senate. The Senate is waiting for that bill to be passed by the other body. In the past 24 hours, I have checked on that situation; and I think the sources in the other body which I questioned are utterly reliable. They have said, "Senator, you will not get a bill on civil rights in another 2 weeks." Those are realities of the legislative process. But I do not see why the leadership of the Senate should be held up to unfair criticism because the roadblocks are elsewhere and not on the floor of the Senate.

Mr. President, I ask unanimous consent that the calendar of the Senate for today be printed at this point in my remarks.

There being no objection, the calendar was ordered to be printed in the RECORD, as follows:

#### General orders under rule VIII

Order No.	Number and author of bill	Title	Reported by
305	H.R. 4214.....	An act for the relief of the Stella Reorganized Schools R-I, Missouri. (\$1,500)	June 27, 1963.—Mr. Eastland, Committee on the Judiciary, without amendment. (Rept. 331.)
319	S. 5, Mr. Yarborough and others.	A bill to provide readjustment assistance to veterans who serve in the Armed Forces during the induction period.	July 2, 1963.—Mr. Yarborough, Committee on Labor and Public Welfare, with amendments. (Rept. 345.) (Minority views.)
449	S. 1540, Mr. Magnuson.....	A bill to amend the Federal Aviation Act of 1958 to provide for the regulation of rates and practices of air carriers and foreign air carriers in foreign air transportation, and for other purposes.	Aug. 28, 1963.—Mr. Monroney, Committee on Commerce, without amendment. (Rept. 473.)
451	S. 1033, Mr. Magnuson.....	A bill to establish a uniform system of time standards and measurements for the United States and require the observance of such time standards for all purposes.	Aug. 30, 1963.—Mr. Magnuson, Committee on Commerce, with amendments. (Rept. 475.)
462	H.R. 82.....	An act to amend the Merchant Marine Act, 1936, in order to provide for the reimbursement of certain vessel construction expenses.	Sept. 11, 1963.—Mr. Bartlett, Committee on Commerce, without amendment. (Rept. 486.) (Minority views filed.)
483	S. Con. Res. 1, Mr. Clark and others.	Concurrent resolution to create a joint committee to study the organization and operation of the Congress and recommend improvements therein.	Sept. 19, 1963.—Mr. Hayden, Committee on Rules and Administration, with an amendment. (Rept. 504.) (Individual and supplemental views filed.)
485	S. Res. 111, Mr. Church and others.	Resolution amending rule XXV of the standing rules relative to meetings of committees while the Senate is in session.	Sept. 19, 1963.—Mr. Hayden, Committee on Rules and Administration, without amendment. (Rept. 506.) (Individual views filed.)
486	S. Res. 89, Mr. Pastore and others.	Resolution providing for germaneness of debate under certain circumstances.	Sept. 19, 1963.—Mr. Hayden, Committee on Rules and Administration, with amendments. (Rept. 507.) (Individual views filed.)
502	S. 927, Mr. Magnuson.....	A bill to amend title 12 of the Merchant Marine Act, 1936, in order to remove certain limitations with respect to war risk insurance issued under the provisions of such title.	Sept. 24, 1963.—Mr. Bartlett, Committee on Commerce, with an amendment. (Rept. 523.) (Individual views filed.)
546	S. 2100, Messrs. Magnuson and Jackson.	A bill to continue certain authority of the Secretary of Commerce to suspend the provisions of sec. 27 of the Merchant Marine Act, 1920, with respect to the transportation of lumber.	Oct. 17, 1963.—Mr. Magnuson, Committee on Commerce, with amendments. (Rept. 568.) (Minority views filed.)
566	H.R. 7885.....	An act to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.	Oct. 22, 1963.—Mr. Fulbright, Committee on Foreign Relations, with an amendment. (Rept. 588.)
570	S. 2265, Mr. Morse.....	A bill to amend the Library Services Act in order to increase the amount of assistance under such act and to extend such assistance to nonrural areas.	Oct. 29, 1963.—Mr. Morse, Committee on Labor and Public Welfare, without amendment. (Rept. 592.) (Minority views filed.)
572	S. 1396, Mr. Fong.....	A bill to consent to the institution of an original action in the Supreme Court for the adjudication of the claim of the State of Hawaii to certain land and property situated within that State.	Oct. 29, 1963.—Mr. Fong, Committee on the Judiciary, without amendment. (Rept. 594.)
602	S. 689, Messrs. Long of Missouri and Symington.	A bill for the relief of Lila Everts Weber.	Nov. 1, 1963.—Mr. Long of Missouri, Committee on the Judiciary, without amendment. (Rept. 624.)
609	H.R. 7431.....	An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending June 30, 1964, and for other purposes.	Nov. 6, 1963.—Mr. Byrd, of West Virginia. Committee on Appropriations, with amendments. (Rept. 632.)
614	H.R. 6001.....	An act to authorize the conveyance to the Waukegan Port District, Illinois of certain real property of the United States.	Calendar called Nov. 8, 1963.
615	S. 432, Mr. Ribicoff and others.	A bill to accelerate, extend, and strengthen the Federal air pollution control program.	Nov. 7, 1963.—Mr. Randolph, Committee on Public Works, without amendment. (Rept. 637.)
616	H.R. 6518.....	An act to improve, strengthen, and accelerate programs for the prevention and abatement of air pollution.	Nov. 7, 1963.—Mr. Muskie, Committee on Public Works, with amendments. (Rept. 638.)
617	S. 298, Mr. Sparkman and others.	A bill to amend the Small Business Investment Act of 1958.	Nov. 7, 1963.—Mr. Muskie, Committee on Public Works, without amendment.
			Nov. 8, 1963.—Mr. Sparkman, Committee on Banking and Currency, with an amendment. (Rept. 639.) (Minority views.)



## General orders under rule VIII—Continued

Order No.	Number and author of bill	Title	Reported by
618	S. 1309, Mr. Sparkman.....	A bill to amend the Small Business Act, and for other purposes.....	Nov. 8, 1963.—Mr. Sparkman, Committee on Banking and Currency, with an amendment. (Rept. 640.) (Minority views.)
619	S. Res. 218, Mr. Humphrey.	Resolution conveying to the National Academy of Sciences and the National Research Council, congratulations for its contributions to science and technology.	Nov. 8, 1963.—Mr. Hill, Committee on Labor and Public Welfare, without amendment.

Mr. AIKEN. The Senator from Oregon has made an excellent suggestion that the calendar be printed at this point in the RECORD. This is my 23d session of the Congress. I have never known a session in which the work which has been presented to the Senate has been kept cleaned up as promptly as has been the case at the present session.

As the Senator from Oregon has said, it is not the fault of the Senate that there are not more bills before it. I shall not go into that subject again today because I went into it yesterday.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. LAUSCHE. Mr. President, for some time I have desired to comment about our majority leader. I am of the belief that if it had not been for his guidance and his fairness of treatment of other Senators, with the controversial bills that have been pending this year, chaos would be dominant on the floor of the Senate.

It was only through this extraordinary leadership that the vigorous crosscurrents that were incident to those bills did not go into violent operation, splitting the Senate with hatreds and animosities. At least during the period that I have been in the Senate—7 years—there has not been a year in which so many important and controversial bills came before the Senate.

Some bills have not been passed. Complaint has been made that Senators have been dragging their feet. Do any of those who complain think of the fact that probably among those bills are proposals that ought not to be passed? Why should the presumption be indulged in that all the bills that have been introduced should have been passed? Many people throughout our country believe that if we had passed fewer of the bills that have been passed, the taxpayers would generally be better off. But in any event I give credit to the Senator from Montana [Mr. MANSFIELD]. He has guided the Senate with extraordinary effectiveness. A different type of leadership might well lead to chaos in the Senate.

Mr. AIKEN. Mr. President, I yield the floor.

## RUSSIAN TRADE AND U.S. WHEAT

Mr. YOUNG of North Dakota. Mr. President, I was greatly honored and pleased to have the editor of the Bismarck Tribune, published at Bismarck, N. Dak., Mr. John Hjelle, use a considerable part of one of my recent newsletters in his November 7 editorial entitled "Russian Trade and U.S. Wheat." Mr.

Hjelle ably and effectively sets forth his views on this wheat transaction.

Mr. President, I ask unanimous consent that this editorial be printed in the RECORD as a part of my remarks.

Mr. President, I also ask unanimous consent to have another editorial by Mr. John Hjelle, appearing in the November 8 issue of the Bismarck Tribune and entitled "Agriculture's Budget Share" printed in the RECORD as a part of my remarks. In this editorial Mr. Hjelle again illustrates his knowledge and deep interest and concern for agriculture, which is by far the biggest industry in North Dakota.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Bismarck Tribune, Nov. 7, 1963]

## RUSSIAN TRADE AND U.S. WHEAT

The fallacy in refusing to sell American wheat to Soviet Russia is pointed out by Senator MILTON YOUNG in his current newsletter, in which he also discusses wheat prices and recent wheat export history.

Says the Senator on the question of selling wheat to Russia:

"Our trade with Russia has been limited. However, it is interesting to note that during the past 11 years we bought \$92 million more from Russia than they bought from us. Thus they have had 92 million extra dollars to help spread communism throughout the world. There is no magic to the Communist economic system. Their resources and the amount of money they can spend on their war machine and for other purposes is limited. Even the gold they export to better their balance of payments with the rest of the world costs them about twice as much to mine as they can get it for on the world market. Russia would have less money to spend for war purposes if we trade some of our wheat for their limited supply of gold or dollars."

This is, or should be, fundamental even to the most ignorant of the self-styled experts who have condemned the sale of surplus American wheat to Russia on grounds that to sell them our wheat will aid the Red cause. Yet the opposition continues, to the detriment of America's best interests.

The North Dakota Senator also digs into another aspect of the wheat export question. He writes:

"Until Public Law 480 was passed in 1954 our normal yearly wheat exports were around 300 million bushels. Since then they have gone as high as 700 million bushels. Drought in European countries and elsewhere will increase these exports to 800 million bushels or more. Even without any Russian sales, exports could reach 900 million bushels."

"The truth is that if we did not sell to Russia, she and her satellites would obtain much of their wheat and flour requirements through the backdoor approach. In the past, sizable amounts of our wheat—sold at bargain prices to our allies—have been transhipped as either flour or wheat to Communist countries. Actually, it boils down to a question of whether we want to sell directly

to Russia at world prices for dollars or gold, or whether we want to let our allies reap sizable profits as the middleman. The United States is the only nation in the world which places any restriction on the sale of wheat to Russia."

Russia, of course, would much prefer not to have to buy U.S. wheat. It is the market for our wheat only because it has been unable to produce what it needs at home. It would, obviously, rather be an exporter than an importer. This fact in itself is plain proof that to sell, for dollars or gold, will be to U.S. advantage.

The proviso that the sale be for dollars or gold, with prompt payment, is, of course, the crux of the proposition. In this case we happen to be the able but not anxious seller, and Russia is the unwilling but anxious buyer, forced into this position, we are told, by climatic conditions beyond its control. If these are, indeed, the facts, it is hard to see how the sale could be anything but to the advantage of the United States, cold war or not.

[From the Bismarck Tribune, Nov. 8, 1963]

## AGRICULTURE'S BUDGET SHARE

The Department of Agriculture, which is one of the biggest spending units of the Federal Government, is also one of those units most subject to criticism for its spending.

But according to Senator ALLEN ELLENDER, of Louisiana, the Democrat who heads the Senate Agriculture Committee, what the Department spends is not out-of-line with spending by other branches of the Government.

ELLENDER's thoughts along these lines are quoted in the newsletter of the National Association of Soil and Water Conservation Districts. He says:

"The budget of the Department has increased from year to year, as has the budget of every other Government agency. But it should be remembered that the Department still requires only 5 or 6 percent of the Federal budget each year to operate all of its needed and desirable programs. These programs include such things as meat inspection, disease and pest control, research and extension work, the protection of our resources, and many others. Its budget represents only about one-twelfth of what we spend each year on national defense, and is almost exactly the yearly amount spent for research to send a man to the moon."

"On the basis of national population, the agriculture budget represents an expenditure of about \$8 per person to insure the production, inspection, and marketing of the finest meats, vegetables, and other foods at the lowest cost to the consumer of any nation on earth. Also, this money helps to provide school lunches for our children, food for our needy, and aids in developing and maintaining our national resources for unborn generations yet to come."

"Agriculture is a primary source of new wealth in our country. It is the main provider of basic raw materials which support all segments of business and industry. Reliable estimates indicate that each dollar of wealth taken from the soil generates \$7 of income throughout the rest of our economy."

"It can easily be seen that the Department fills a very great need in our national life. Though its programs and budget have increased greatly in the 100 years since it was created by President Lincoln, I have little regret about the money spent in this direction."

#### IMPACT OF WORLD TRADE ON NEW HAMPSHIRE

Mr. MCINTYRE. Mr. President, discussions now in progress will result in a foundation for the Kennedy round of tariff negotiations in 1964. The United Nations will convene a world conference on trade shortly before those negotiations begin. Today the countries of the European Common Market began a series of critical negotiations aimed toward the achievement of a common agricultural policy. I hope that the Congress will consider the means by which the public shall be kept informed of decisions made during these negotiations and the issues they pose for us all. Senator HUMPHREY has proposed a Joint Committee on Trade which could consider many of the broad problems posed to public policy by the rapid growth in world trade throughout this critical period. I should like to draw the attention of my colleagues to a thorough study of our foreign trade problems, with particular reference to my home State of New Hampshire, written by Mr. James D. Ewing, publisher of the Keene Evening Sentinel. The issues he raises deserve our continued attention. I shall shortly address the Senate on the particular needs of our vital woolen textile industry, which I have been studying for some time. Many other matters will merit our attention, from balance of payments problems to proposals for expanded trade between East and West. Mr. Ewing's articles are thoughtful, comprehensive, and based on a wealth of interviews and firsthand information. I ask unanimous consent that the four articles be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Keene (N.H.) Evening Sentinel, Nov. 5, 1963]

#### IN LONG RUN EVEN TEXTILE AND SHOE FIRMS BENEFIT BY FOREIGN TRADE

While two of New Hampshire's largest industries plead for curbs on competing imports a special E Award flag flies over a Keene plant with 300 employees, presented in behalf of the President for outstanding contribution to the Nation's export expansion program.

Here is the paradox of foreign trade as it affects the economy of the State: Jobs and profits threatened by imports; jobs and profits created by exports. And always there is the knowledge that to sell abroad a Nation must buy abroad.

The State's textile and shoe industries are being hurt by imports. There have been layoffs; there is talk of mill closings. Almost without exception imports are blamed. It's not surprising, therefore, that foreign trade has become virtually a dirty word in parts of the State.

But to focus on the undeniably serious problems of these two industries is to distort the trade picture as a whole. Even from the point of view of New Hampshire's economy, there is a bright side to the story.

For the Nation as a whole, it's brighter still. The latest estimates are that the

United States will have a \$5 billion trade surplus in 1963.

#### GOVERNOR'S CONCLUSIONS

Gov. John W. King, in a statement prepared for this series of articles, summed up the Granite State situation this way.

"I believe," he said, "that the field of foreign trade presents a great opportunity and a great challenge to New Hampshire business. On the one hand, we have virtually untapped opportunity to expand our markets through exports. On the other hand, some of our most important industries are seriously threatened by competition from low-priced foreign imports."

King's two words—"opportunity" and "challenge"—indicate the contradictions of foreign trade. For example:

Referring to imported textiles, George A. Dorr, Jr., president of Dorr Woolen Co. of Newport, said last month: "We have an intolerable situation. \* \* \* We have impossible competition. \* \* \*

At almost the same time, David F. Putnam, president of Markem Machine Co. of Keene, which received the E Export Award, told a reporter: "The world is our market. \* \* \* Our target is to get 50 percent of our orders from overseas."

#### SENATORS PROTEST

In August, New Hampshire's Senators CORTON and MCINTYRE joined 31 colleagues in a plea to the President to check "the avalanche of cheap (imported) shoes which are flooding the Nation, making the future 'dark indeed for this important segment of our economy.'"

Meantime, Donald D. Davis, treasurer of Miniature Precision Bearings, Inc., with 700 employees in Keene and Lebanon, said: "The success of MPB's international division has demonstrated the desirability of developing foreign markets. We expect continued growth."

#### CHICKS BUSINESS IMPROVES

While poultry processors in the South have made an international issue of increased tariffs on frozen chickens from the United States, the same tariff increase has boosted sales to Europe of baby chicks and breeding stock for American breeders, including Hubbard Farms in Walpole.

Governor King has supported efforts to halt the flow of shoe and textile imports; he has also just appointed a State Council on Foreign Trade to help promote the export of Granite State products.

In short, much is heard—understandably—about the import threat to New Hampshire jobs, but very little is heard about the jobs which depend, directly or indirectly, on the export sales.

No nation on earth is completely self-sufficient. All must buy from other nations and sell to them. And no nation these days can have it all one way: if it wants to sell to others, it must buy from others.

The United States must import huge quantities of vital minerals—tin, zinc, aluminum ore and nickel. Without these imports our economy would be close to collapse.

#### SOME JOBS DEPEND ON EXPORTS

Though it may sound strange to a New Hampshire shoe or textile worker, whose very job may be threatened by imports, the truth is that far more Americans benefit from imports than are hurt by them. Moreover, many more Americans hold jobs which depend on exports than are seriously threatened by imports.

Three out of every four newspapers are printed on imported paper. The coffee you drink in the morning is imported; so is the tea, if you prefer that. Half the sugar you put into your cup is imported.

Many of the appliances in your house probably contain components made abroad.

Some of your wife's clothing, and yours too, may be made of imported yarn or cloth. You and your kids probably use some imported sporting goods.

There are few factory parking lots which don't contain foreign cars. And anyone from Detroit will recall vividly the way those imported cars forced the huge auto industry to bring out the "compacts."

So even if you work in a shoe factory or textile mill, you're benefiting from imports. Perhaps it's a product we don't produce at all in America. Perhaps, as has often been the case, the imported products sell for less. As a consumer, you benefit in both cases.

Or, perhaps foreign competition has forced the American manufacturer to increase his efficiency and find other ways to lower his prices. Again, it's to your advantage as a consumer.

American manufacturers also benefit from imports. They often buy needed raw materials abroad, and they use much foreign-made machinery.

Even the textile industry, so hard pressed these days, is using imported machines to improve efficiency, and more than half its wool comes from overseas.

#### BURLAP FROM INDIA

A large textile firm in the southwestern corner of the State, Troy Mills, has carried the process even further. One of its most profitable products is based entirely on burlap imported from India.

Thus, competing imports may be a dagger aimed at the heart of some of our textile and shoe companies, but other imports are providing substantial benefits to every New Hampshire citizen, including those in import-threatened industries.

#### THREE MILLION IN EXPORT JOBS

The export picture is different. The United States is the world's largest exporter. We sell far more to other countries than we buy from them—by an estimated \$5 billion this year. Roughly, we expect to export about \$22 billion worth of products and to import about \$17 billion worth.

In 1960, according to official estimates, more than 3 million American jobs were supported by exports. And, surprisingly perhaps, nearly another million were supported by imports. That would mean a total of about 4 million jobs dependent on foreign trade. Today the figure is undoubtedly higher, as both our imports and our exports have increased.

There are no reliable figures on the number of jobs which have been lost or are directly threatened by imports. But there's no doubt whatever that the number is far smaller than those dependent on exports.

Figures for New Hampshire are sketchy. It's no secret that a good many thousands of jobs are in the shoe and textile industries, some of which are threatened by imports.

But no figures are available on the number of jobs which depend on exports. John F. Rowe, Commissioner of Resources and Economic Development, has estimated the State's industries are directly exporting nearly \$75 million worth of goods a year. But no one knows how many more millions of sales are indirectly related to exports.

A machine tool, for example, may be shipped to Detroit to help make cars, and Detroit exports millions of dollars worth of vehicles every year. A component for a guided missile, a plane, a typewriter, or a special machine may be made in New Hampshire, shipped to another State for assembly, and the end product may land in Germany or Japan. No one knows how many New Hampshire jobs or how many dollars are thus involved in foreign trade. But the figures would be impressive.

Governor King's statement said this about exports from New Hampshire: "There is opportunity of almost unlimited scope in the



export field. There is almost nothing produced here in New Hampshire which does not have a potential market abroad."

But there's a hooker. If we expect to sell abroad, we have to import from abroad.

It's going to be a little hard to tell the Italians, for example, that we want them to buy plenty of goods in the United States but we don't want them to sell their shoes and textiles here.

Those two products, which are now hurting two important New Hampshire industries, account for about 25 percent of Italy's total sales to the United States.

And if Italy can't sell her products here, she won't have the money to buy from us, and that would hurt a good many other American businesses.

[From the Keene (N.H.) Evening Citizen, Nov. 6, 1963]

#### STATE'S TEXTILE MEN FIGHTING IMPORTS, ARE ADOPTING NEW PRODUCTION METHODS

In mid-August a petition was sent to the White House, signed by more than 1,000 people from the Enfield area of New Hampshire. It "earnestly" asked the President to take immediate action to limit imported woolen fabrics.

The State's woolen industry "is threatened with destruction by foreign competition," Gov. John W. King said in a statement prepared for this series of articles.

A special subcommittee of the U.S. Senate, of which Senator NORRIS CORTON is a member, called upon the President in June to take unilateral action, if necessary, to check "the unrestrained flood of imports."

Representative JAMES C. CLEVELAND of the State's Second District has charged the Kennedy administration with "callous disregard for the plight of hardworking citizens" in the industry.

Meantime, similar pleas are being made in behalf of the shoe industry, the State's largest employer.

Like the textile industry, it is calling for quotas on imports by agreement with other countries if possible; by U.S. action alone if necessary.

Citing a 600-percent rise in imports and a 38-percent drop in exports since 1955, a group of Senators from shoe-manufacturing States, including Senators CORTON and MCINTYRE of New Hampshire, issued a demand for quotas last summer.

"If this situation continues—and there is nothing to indicate that it will change," the statement said, "it is easy to see that the future is indeed dark for this important segment of our economy and the thousands of workers it employs."

CORTON and MCINTYRE said New Hampshire's shoe industry, which has 18,000 employees, "must be protected from the avalanche of cheap shoes which are flooding the Nation."

But serious though the situation is for the shoe industry, it's worse for textiles. Shoe imports amounted to about 9 percent of American production in 1962. Imports of woolen textiles last year equalled nearly 22 percent of domestic production.

From the statements quoted, and others like them issued frequently in recent months, the conclusion might be reached that New Hampshire's woolen and worsted industry, which employs some 10,000 people, was at death's door—and that imports alone had put it there.

The industry does have plenty of trouble, but it is not all due to imports, although George A. Dorr, Jr., president of Dorr Woolen Co. in Newport, said imports could be "the straw that breaks the camel's back" for some mills.

By this he meant that competing imports could take just enough of a New Hampshire

mill's market to make it impossible to operate it profitably.

Since World War II there has been a spectacular nationwide decline in employment and in the number of mills in the woolen and worsted industry. But imports haven't been the only—or even the most important—cause. Indeed, the worst shakeout occurred prior to 1958, when imports were not nearly so great as today.

In addition to competition from imports, the industry has had to do battle with other materials, especially synthetics, and other manufacturing processes.

Even 10 years ago, for example faced ever-increasing competition from the giants of the industry—and the giants have been getting bigger. They have the resources to shift product lines more easily, bring more weight to bear in marketing and spend more money for research and development.

Finally, mills have closed and jobs have disappeared simply because domestic and foreign competition has forced a stepup in efficiency. New methods and new machinery—much of it imported—have meant increased productivity per worker. In fact, productivity has nearly doubled in the industry since 1947.

For these reasons, although industry employment and number of mills in operation declined, total production actually increased and so did the total amount of woollens sold in this country—up 27 percent from 1958 to 1962.

But here's where the rub of imports was felt. A large share of the increased market was captured by imports, which zoomed nearly 150 percent in the same period, and are still increasing. Today imports claim nearly 25 percent of the U.S. market.

The major reason for the spectacular rise in woolen and worsted imports is a simple one: price. Most of our toughest foreign competitors not only have highly efficient machinery, but their wage rates are far, far lower than ours.

Even after paying transportation, tariffs and other costs, they can undersell U.S. producers on many items. Under the circumstances, it's a tribute to American companies that the situation isn't far worse than it is.

How are they competing? By taking a variety of steps to offset the low-wage advantage of foreign producers. They have invested boldly in better equipment. They have adopted more aggressive selling and marketing methods. They have sought maximum efficiency. They have emphasized better design and styling. They have shifted product lines, and some have diversified by manufacturing entirely new items only remotely related to wool.

Troy Mills, Inc. of Troy, N.H., looked ahead some years ago and saw not only rugged domestic competition but also import pressure. So it embarked on a program of diversification which required heavy financial outlays, plus courage and imagination.

Today, Troy's woven product lines are radically different from those of even 10 years ago. Perhaps more significant, it is also turning out things like industrial filters, automobile trunk linings and plastic automobile seat covering. In a woolen mill such products were unheard of a few years ago.

This kind of vision has paid off; it may even have saved the company and the town which depends upon it. For, in a declining industry, Troy Mills' employment is close to what it was a decade ago, although it has been forced to make some layoffs recently.

Two other examples: Homestead Woolen Co. in West Swanzey and Dorr Woolen Co. in Newport have also adjusted to the new realities of the industry. Again it has been a case of courage, capital and ingenuity. Where Troy Mills shifted much of its production to entirely new types of products,

Homestead and Dorr stuck with woven fabrics.

But they have aggressively sought out products which a New Hampshire mill could produce and still compete. They have emphasized fabrics in which design and styling gave them an edge over the domestic giants and the foreign producers.

They sell hard; they take advantage of the best machinery they can obtain. They try to stay one jump ahead of the competition.

But the managements of these and other Granite State woolen companies are deeply concerned about the rising volume of imported fabrics.

Dorr, as chairman of the Northern Textile Association, has assumed a leading role in the woolen industry's battle to curtail imports. Paradoxically, he believes in free trade and opposes Government interference in business, as do many other woolen men. But he argues that unless some sort of restrictions are placed on imports (by agreement if possible, unilaterally if not), the casualty list in the industry will get pretty long. If it does, New Hampshire won't escape unscathed.

So he has joined the effort to pressure the Kennedy administration to seek a worldwide agreement for what are called "orderly marketing" arrangements. In reality this is a quota system, limiting imports into countries which cannot absorb them without seriously damaging domestic producers.

Although this is the very opposite of free trade, since it would curtail it instead of freeing it, such an agreement is already in effect for the cotton industry.

The woolen industry says it wants the same treatment. So does the shoe industry. And there are other industries, including even the giant steel industry, waiting to see how woollens make out.

Unlike any of the others, the woolen industry holds a sort of I O U from the administration. The President himself and various other administration officials have virtually promised to do for woollens what they did for cotton.

At the moment, however, they seem to be doing their best to forget their earlier statements. Though no one within the administration will say so for publication, in off-the-record conversation they indicate why they are unenthusiastic.

First, they argue that the whole concept of international quotas is contrary to the policy of free trade which every administration since Franklin Roosevelt has supported and which they (along with many businessmen) believe is the key to future growth of the American economy.

Second, they say that if woollens get such treatment, shoes will demand the same, and others will be standing in line at the door. Where, they ask, would this process stop? And if it didn't stop, we would soon have a shrinking instead of an expanding economy.

Administration officials seem convinced that, at least for the present, steps to restrict woolen imports would be more dangerous to the economy as a whole than continued or even increased imports.

For New Hampshire and other States which rely heavily on the woolen industry this means a rough road ahead; perhaps some mill closings.

But significantly, most New Hampshire woolen men aren't rolling over and playing dead. The instinct for survival is powerful. And behind them they have the rugged experiences of the postwar, industrywide crises which they weathered successfully.

One of them, Saul Greenspan of Manchester's large Waumbec Mills, was quoted in late August as saying:

"The survivors are mainly the strong firms which have kept up with the times. They should be able to make good progress in the future."

[From the Keene (N.H.) Evening Citizen, Nov. 7, 1963]

#### ENTERPRISING FIRMS IN STATE FIND PROFITABLE MARKETS ABROAD

"The world is our market," the president of a Keene company said recently—and his firm is acting accordingly.

Markem Machine Co., whose 300 employees produce machinery, type, and inks to mark and identify just about any product imaginable, has always been interested in selling abroad. But about 5 years ago, President David F. Putnam said an intensified program for increased foreign sales was launched.

At that time about 5 percent of the firm's orders came from outside the United States and Canada. This year the figure will be about 25 percent—and the target for the years just ahead is 50 percent.

The company has received a special Presidential E Award for its contribution to the country's export expansion program. Only one other New Hampshire firm has received the award.

Markem has established a British company and another in Holland. They are responsible for sales and service in most of Western Europe. Markem distributors are responsible for merchandising in the rest of the world.

"Business abroad is not restricted to the giants," Putnam told a special congressional Committee on Small Business.

"In general," he said, "there is a vast market available to firms which will investigate the potential. . . . In the final analysis, sales do develop and more sales are available if one accepts the challenge and is willing to take advantage of these many opportunities (overseas)."

#### BEARINGS PLANT LOOKS AHEAD

Another manufacturer looking abroad is Miniature Precision Bearings, with plants in Keene and Lebanon. About 3 years ago MPB created an international division, with its own vice president.

Starting almost from scratch, according to Treasurer Donald D. Davis, the company established offices in England and Holland and staffed them with sales and service personnel.

Selling MPB's line of bearings, plus related products of other American manufacturers, the company has watched overseas sales climb steadily. Foreign business, Davis said, has become a significant part of the company's gross sales and the company expects further growth.

#### CHICKS GO TO BELGIUM

Breeding chicks is not manufacturing, but the product can be exported. Hubbard Farms in Walpole, N.H., is now shipping about 25,000 day-old chicks a month to Belgium. Another 10,000 go to other points abroad.

A shipment of chicks hatched in Walpole on Wednesday will be on a Hubbard Euro-poultry farm outside Brussels early Friday afternoon.

Hubbard plans to push its export sales harder. Its officials, according to William Phipps who handles exports, are convinced there is a sizable untapped market abroad, and Hubbard intends to get its share. "Export is the most profitable part of our business," Phipps said.

Not only are overseas sales adding to the company's profits, but last year increased foreign business helped the company weather a slump in domestic sales.

Ironically Hubbard has benefited from the recent transatlantic "chicken war." When the European Common Market boosted the tariff on frozen poultry meat which was being shipped there by processors in the South, the demand for chicks from the ECM promptly rose.

European farmers are now increasingly interested in raising broilers to take advantage

of the market our southern processors established but in which they cannot now compete effectively because of the higher tariff.

Thus the South's loss has been Hubbard's gain. It would be difficult to provide a better illustration of the strange ways in which world trade tends to balance itself off.

There are no reliable statistics on the number of New Hampshire jobs which, directly or indirectly, depend on exports. John F. Rowe, commissioner of the department of resources and economic development, has estimated that direct exports from the Granite State amount to nearly \$75 million a year.

But that figure does not reflect the volume of business which is indirectly dependent on the Nation's exports. It is known that many State firms manufacture components or production machinery for products which are assembled in other States and then shipped abroad.

It is also probable that for some companies export business may be a small percentage of total sales, but may in fact represent the firm's profit margin.

#### ENCOURAGED TO SELL

U.S. Government officials, along with industry organizations, a number of States and even some municipalities, are mounting a nationwide campaign to convince American business that it can sell abroad in far larger volume than ever before.

The Federal Government, according to Paul G. Carney, director of the Commerce Department's Boston office, offers a wide range of free services to any business which wants to boost its overseas sales or enter foreign markets for the first time.

These services, Carney said, range from exhibit space in various trade centers, to detailed confidential market surveys. Moreover, the Government maintains commercial attachés in almost every country, whose primary job is to assist American business.

But, Carney added: "Our services are being used mostly by larger companies, which need them the least. Smaller companies tend to assume they cannot export, but very often they could, if they'd just try."

A Department of Commerce official in Washington echoed Carney's views. "When it comes to exporting," he said, "too many American manufacturers have a negative attitude. They think of the difficulties of language, tastes, transportation, and procedures."

"Time after time it's been proved that American products can compete, even against low-wage competition, because price isn't everything."

He said American products have a reputation for good quality and design, and often American productivity and know-how can more than match the advantages of a foreign manufacturer's lower wage costs.

This view is shared by Putnam and other Granite State manufacturers who have entered foreign markets.

American manufacturers who want to sell abroad, especially in Europe, have other factors helping them, and their European competitors are well aware of them.

First, the tradition of European craftsmanship is not as strong as it used to be. Younger workers have less pride in the quality of their work.

Second, with European living standards rising and with full employment almost everywhere, many employees are not working as hard as in the past.

Third, these trends are coupled with rising foreign wages and fringe benefits so that the gap between U.S. payroll costs and those abroad is steadily narrowing.

Finally, the prestige of American products is rising overseas. We have established a reputation for quality which often offsets a somewhat higher price tag.

Some New Hampshire manufacturers have entered world markets other than by shipping abroad directly from the Granite State.

Adopting the philosophy of joining 'em if you can't lick 'em, some firms have made licensing agreements with foreign manufacturers to produce and sell the American product, paying a royalty for the privilege. Royalties add to profits here.

#### OVERSEA SUBSIDIARIES

Other companies have established subsidiaries overseas. And still others have gone into joint ventures with foreigners. Hubbard Euro-Poultry, for example, is owned half by Hubbard Farms and half by Belgians. Under either arrangement, all or part of the profits can come back to New Hampshire.

It is undoubtedly true that not every Granite State product can be sold successfully abroad. But Gov. John W. King believes "there is almost nothing produced here in New Hampshire which does not have a potential market abroad."

To help stimulate efforts to exploit this potential, King has appointed a council on foreign trade. It is expected to get to work soon.

One thing seems very clear. Governments of the free world, with the support of most (though not all) industry, are trying to unshackle world trade by reducing the protective tariffs and other restrictive devices of the past. This will intensify worldwide competition. It will also open up vast new markets for producers everywhere.

How the industries of the United States and of New Hampshire will respond is not yet clear, but American business has always prided itself on accepting tough challenges and seizing new opportunities. The future pattern of world trade is likely to give it a chance to do both.

[From the Keene (N.H.) Evening Citizen, Nov. 8, 1963]

#### TRADE ISSUE: EXPANSION VERSUS PROTECTIONISM

Pleas for governmental protection against foreign competition are voiced by certain industries in Europe as well as in New Hampshire and other American States. They ask for high tariffs, import quotas or other devices designed to erect barriers against imported goods.

Often, but not always, these voices get a rather unsympathetic hearing. The basic reason is that Western Europe's industrial economy is, for the most part, geared to foreign trade.

"If an industry gets Government protection, it doesn't have to meet world competition, and often it doesn't try," a Danish pharmaceutical manufacturer, O. Hubner, told a reporter last month.

"The Dutch attitude is that if a company cannot compete, it might as well go out of business," according to Pierre Schloesser, a former member of the Dutch parliament who is now a high official of the European Common Market.

#### TARIFF POLICY

These and similar remarks indicating opposition to tariff barriers and other trade restrictions appear to reflect a general attitude. But like other generalizations, they can be misleading.

European countries do have tariffs and on some goods they are quite high. They have a variety of other restrictive devices as well. There are sharp variations in these devices from country to country, and commodity to commodity.

One of the objectives of the European Economic Community (the Common Market) is to agree on a single set of tariffs for the six member countries—France, Germany, Italy, Belgium, Holland, and Luxembourg.



Meantime, however, the development of the Common Market has provided a clear lesson for many industries of how freer trade can stimulate growth by opening new markets and of how international trade competition can spur increased productivity and thus permit higher wage countries to compete successfully with lower wage countries.

#### TRADE OR FADE PHILOSOPHY

Some small nations, like Belgium, Holland, and Denmark, have always had to "trade or fade," to use one of President Kennedy's phrases. They have lacked the resources and the manpower to survive except by trading.

But France was at the opposite end of the scale. Before she joined the Common Market, France was not a major trading nation.

Her industries manufactured mostly for the French market and her farmers produced mostly for it. She had a history of protectionism, and when the Common Market began in 1958, her wage levels were generally the highest of the six member nations.

For these reasons, French industry was not enthusiastic about the Common Market plan of cutting internal tariffs. The program called for progressive tariff reductions within the ECM until they were abolished after 15 years.

#### ENTHUSIASM REPLACED SKEPTICISM

But within a couple of years, according to Andre Colombier, an official of the French Federation of Industries, business skepticism changed to enthusiasm.

The reason is not hard to find. Between 1958 and 1962, French exports to her five ECM partners jumped 140 percent, and her imports from them rose 105 percent.

The figures for the other countries are not quite as spectacular as France's and Italy's, but all have shown tremendous increases despite (or perhaps because of) the fact that during the same 5 years tariffs were slashed by 50 percent. Today they are down 60 percent and will probably reach zero by 1970, 3 years ahead of schedule.

These trade gains were achieved because the reduction in trade barriers opened up vast new markets for manufacturers in all the ECM countries. Consumers benefitted through lower prices, a wider choice of products and better design.

Moreover, French industry found that, contrary to its expectations, it could compete with lower wage countries like Germany. The imperatives of competition spurred French manufacturers to sharpen up their methods, install new machinery and increase their efficiency.

#### PAYROLL COST GAP NARROWED

At the same time, the rapid improvement in business throughout the ECM, coupled with a manpower shortage, stimulated rises in wage levels in other countries. Today the gap between French payroll costs and German, for example, is much smaller than it was 5 years ago.

In the field of consumer goods, rising standards of living and increased purchasing power throughout the ECM also increased the total market for all manufacturers.

There have been some casualties. In certain industries, notably the same two causing so much distress in New Hampshire—shoes and textiles—manufacturers in some countries have been hard pressed, especially by Italian competition.

But the overall picture is bright, and the Common Market is hungry for still more trade, especially with outside nations, including the United States.

The ECM hopes to come to the world trade bargaining table in Geneva next year with a unified program and to speak with one voice. This in itself would be no mean accomplishment, but Common Market officials in Brussels believe it can be done.

Europe knows the United States will be a tough bargainer, but the ECM appears willing to make reciprocal concessions, provided, as Colombier put it, there is true reciprocity of sacrifice.

European officials are aware of the powerful groups in the United States which view the prospect of freer trade with alarm and argue that there are a number of American industries which must be exempted from tariff-cutting negotiations because they cannot compete "with cheap foreign goods," or "low wage countries."

#### THE SPECIAL EXCEPTION ISSUE

But the Europeans argue that they could make a good case for treating some of their own industries as special exceptions, especially their agriculture.

Moreover, they are not unduly impressed by American pleas of inability to compete because of higher wage levels. They say the wage gap is narrowing steadily, and also that advanced American technology has given this country a method of overcoming its wage disadvantage.

They invite Americans to look at the record since the Common Market began in 1958. Imports from the United States have shot up nearly 60 percent. In 1962, America had a favorable trade balance with the ECM of a whopping \$2 billion.

Some of the country-by-country figures are impressive. The ratio in favor of the United States in trade with Germany in 1962 was about 2 to 1; with France and Italy, slightly less than 2 to 1; and nearly 3 to 1 with Holland.

One further example: Germany imports 60 percent more machinery from the United States than she exports to this country, according to Dr. Karl-Heinrich Rieker, chief economist of the Institute of German Industry. In fact, Dr. Rieker said, automobiles are the only major category of manufactured goods in which Germany sells more to the United States than she buys from us.

Meantime, progress is being made in preparation for next year's scheduled world trade negotiations in Geneva. They will be held under the General Agreement on Tariffs and Trade (GATT), to which 53 nations subscribe. In trade jargon, they will be known as the "Kennedy round" of discussions.

#### PRECEDENT-SHATTERING EVENT

They will be precedent shattering so far as the United States is concerned. Apart from a handful of products exempted by law, President Kennedy has proposed that the entire list of American tariffs be laid on the table for negotiation of reductions of up to 50 percent of existing levels.

Before the final talks begin in Geneva, more products may be added to the list of exceptions. But the administration clearly intends to hold the list to a minimum.

This policy is being vigorously opposed by various American industries, including the hard pressed shoe and textile groups. They are arguing for more protection from import competition, not less.

But this far, the administration's position is staunchly in favor of freer trade. In this it has the support of major segments of American industry.

Washington appears convinced that the future growth of the American economy requires greater access to world markets; that substantially more businesses will prosper by trade expansion than will be hurt by it; and that American consumers will benefit through lower prices and greater choice of goods as a result of international competition.

#### THE ADMINISTRATION POSITION

The administration is taking the position that American industry can, in fact, compete successfully with less protection than it now has, provided always that other countries lower their barriers to an equivalent extent

to give our products greater access to their markets.

For industries like textiles and shoes, so important to New Hampshire, the prospect of less protection is a nightmare.

Their determined efforts to see that the nightmare doesn't become a reality may be successful. It is too early to tell.

The choice facing the administration is this: If the United States wishes to get the tariffs of others lowered for our goods, we're going to be obliged to reciprocate—and some industries on both sides of the Atlantic and elsewhere in the world are going to be hurt.

#### DOUGLAS CREDIT CONTROL BILL

Mr. SIMPSON. Mr. President, the controversial truth-in-lending bill continues to misrepresent itself to the American public even though it has never cleared even the subcommittee to which it has been assigned.

The proposal was recently the subject of a press release by the Illinois Retail Merchants Association, an organization which "uses credit as a constructive force for essential volume."

These merchants, all of whom conduct their business in the State represented by the Senator who is principal backer of the misnamed truth-in-lending bill, have labeled the measure "the most mischievous current example of the effort for further Federal control" over the Nation's leading institutions.

In presenting a plaque and other awards to Illinois Attorney General William G. Clark, the Merchants Association scored the "mischievous control of credit by Federal agencies as contained in the Douglas credit control bill."

In that quotation, Mr. President, I suggest can be found a more appropriate title for a bill which is directly concerned with neither truth nor lending but which is directed primarily at Federal control of the credit which is so vital to American business.

I ask unanimous consent, Mr. President, that the press release of the Illinois Retail Merchants Association, dated November 6, 1963, be printed in the RECORD.

There being no objection, the press release was ordered to be printed in the RECORD, as follows:

#### DOUGLAS CREDIT CONTROL BILL

Top Chicagoland merchants who use credit as a constructive force for essential volume, today noon—November 6—honored William G. Clark, attorney general of Illinois, for his success in setting up a Consumer Fraud Bureau, at a luncheon held at the Mid-American Club, Chicago, under the auspices of the Illinois Retail Merchants Association, a major legislative backer of the essential statute.

In presenting a plaque and other awards to the attorney general on behalf of the merchants, John Barr, chairman of the board of Montgomery Ward & Co., and chairman of the event, struck hard at the "mischievous control of credit by Federal agencies as contained in the Douglas credit control bill."

His complete remarks are as follows:

"I am happy to recognize and salute the young, energetic, imaginative and personable attorney general of the State of Illinois. Bill Clark is the type of public servant who deserves contemporary applause and recognition—and, Bill, we are happy to have an opportunity to extend our share of both."

We, at our shop over on Chicago Avenue, are convinced that sales volume diverted

from the channels of misrepresentation and fraud means more present and repeat business for all of us who attempt to conduct our businesses as merchants, in every good sense of that good word. We are particularly grateful, General Clark, for your Consumer Fraud Bureau which by making all proper efforts to protect the consumer, also protects the reputation of the good merchant, and means more sales for the honest retailer.

We are pleased, also, with your efforts to retain at the local and State level the responsibility for fighting and defeating the cancerous evils of fraud and deceit. Such local efforts inevitably must lead to less pressure for more control at the national level, for further federalization of our lives and our businesses.

The most mischievous current example of this effort for further Federal control undoubtedly is the so-called but mislabeled "truth-in-lending bill" being sponsored by the junior Senator from Illinois.

We appreciate, General Clark, that you and the Senator are members of the same political party. But I hope you won't mind our telling you that what you have done, and what you are doing, and what you plan to do to protect the consumer public of our great State is more practical and far more helpful to and protective of our people than any so-called truth-in-lending bill could ever hope to be. We, as merchants dedicated to serving our customers fairly and honestly, have a desire and a responsibility to clean our own house to the fullest possible degree. And to the extent that governmental help is necessary, we want that help at the local and State levels where bureaucratic costs can be held to a minimum and where the responsibility for protecting the good and for developing the wholesome growth of this great industry is more keenly felt and can be more closely watched over.

Finally, your efforts not to duplicate, but to augment the excellent work of our Better Business Bureau and our crowded courts, is leading to better cooperation on all sides. Our desire is to have Government and business and enforcement agencies working together as a team to create a more wholesome, productive atmosphere for the building of needed sales volume with the help of sound credit.

Illinois and Chicago are the consumer credit capitals of the world. We must protect the good name of credit. We need to fight, unsparringly, against those who would misuse and abuse credit, against those who, by their sharp and shady practices, are inviting impractical legislation which would make the extension of credit unprofitable for all of us who seek only to make this service available to our customers on an honest and legitimate basis.

The Illinois Retail Merchants Association invited, as participants in this evidence of regard for General Clark's program, a number of agencies who cooperated both in getting legislative acceptance of the fraud bureau statute and in continual efforts to protect the Chicagoland public against victimization. The guests included top executives of Chicago's daily newspapers, Ely Aaron, chairman of Mayor Daley's Human Relations Commission, Judge Benjamin Schwartz, formerly associated with the attorney general's office, and officers of the Chicago Better Business Bureau and the Credit Bureau of Cook County.

#### THE GOOD SHIP "SEQUIOIA"

Mr. SIMPSON. Mr. President, on November 6 I dispatched a letter to the Secretary of the Navy requesting a list of the names of passengers aboard the Navy's pleasure yacht *Sequoia* during

the time Mr. Korth was Secretary of the Navy.

I also requested this information by telephone, but I have yet to receive even confirmation of receipt of my letter.

It seems obvious now that the information I have requested will not be forthcoming through normal channels even though the *Sequoia* is not a ship of the line—unless it might happen to be the "party line."

Mr. President, I fail to perceive any valid reason for the administration's reluctance to divulge the identity of passengers aboard the *Sequoia*. It is not a fighting ship—it is a Government pleasure boat, fueled and furnished by the American taxpayers.

I ask unanimous consent, Mr. President, that my letter to the Secretary of the Navy be printed at this point in the CONGRESSIONAL RECORD with my remarks in the hope that its appearance on these printed pages will prove an inducement to the release of the information I have requested.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NOVEMBER 6, 1963.

THE SECRETARY OF THE NAVY,  
The Pentagon,  
Washington, D.C.

DEAR MR. SECRETARY. Recent events have made it necessary that I request from you a list of the names of all persons who have been taken aboard the Secretary of the Navy's yacht, the *Sequoia*, during the time Mr. Korth was Secretary of the Navy.

It is my understanding that by necessity the Navy keeps a list of the names of all the guests who have been entertained on the yacht. This is a simple request and should be complied with quickly. It is important that I have the complete list by Monday, November 11, 1963.

Sincerely yours,

MILWARD L. SIMPSON,  
U.S. Senator.

#### JOSE FIGUERES AT HARVARD

Mr. HUMPHREY. Mr. President, Harvard University and the United States are indeed fortunate to have my good friend Dr. Jose Figueres, a former President of Costa Rica, devote several months of his valuable time and wide experience to the teaching of Latin American affairs in this country. As a visiting professor at Harvard, Dr. Figueres has initiated a course which has been met with great enthusiasm by a body of sophisticated and critical students.

Dr. Figueres recently granted an interview to Bertram B. Johansson of the Christian Science Monitor. I ask that this incisive question-and-answer session be printed in the RECORD.

There being no objection, the interview was ordered to be printed in the RECORD, as follows:

[From the Christian Science Monitor,  
Oct. 23, 1963]

#### A VOICE FOR DEMOCRACY

(When a constitutional government in Latin America, which the United States has supported to the hilt, is overthrown by a military government defying the constitutional situation, what should U.S. policy be? Should it cut off foreign aid? Should

it let conditions deteriorate and ripen for anarchy, communism, chaos? A Latin American examines the issues.)

(By Bertram B. Johansson)

José (Pepe) Figueres often describes himself with pride as a ropemaker and a farmer. His pride in being an artisan—he also is an engineer of note—is his way of being completely modest about his accomplishments as a former President of Costa Rica, a tough leader in the fight against Communists in actual battles in the late 1940's in Costa Rica, and now in the ideological battle throughout the hemisphere.

Dr. Figueres is recognized as one of the hemisphere's deep political thinkers and statesmen, and one who has had an influence on the gradual formation of democratic thinking and morality in Latin America, far beyond what many observers have yet acknowledged.

He has often been a consultant to Latin American chief executives and to American Presidents, including Presidents Eisenhower and Kennedy. When his advice has been followed, which isn't very often, it has produced good results.

Dr. Figueres raises coffee and sisal, the latter for his own rope and burlap bag factory over which he exercises a fond and meticulous supervision, guiding the complicated weavings, turnings, and twistings necessary in the manufacture of rope so that it will come out of the twisting machines twisted in such a way that it will lie straight.

#### WHO NEEDS CHESS?

I once asked Dr. Figueres whether he played chess, thinking that he might, with such an inquisitive mentality able to cope simultaneously with the current specific moves and the faroff grand plan. He replied:

"Why do I need to play chess when I have my complicated ropemaking procedures and the snarls and intricacies of Latin American politics?"

This fall semester, Dr. Figueres is a visiting professor on Latin American affairs at Harvard University. Students often applaud his lectures, which is unusual at Harvard on any sustained basis.

His talent is such that while he can describe the hemisphere as going up in flames at one moment and prophesy Cassandra warnings of doom if the hemisphere does not wake up to the Communist threat, he still can forcefully and logically affirm his strong belief in democracy, and convince others of its strength.

He is a short-range pessimist on affairs in Latin America, but a long-range optimist. One of his worries is that there might be some people in the U.S. Department of State who don't believe democracy can work in Latin America.

During the height of the Dominican Republic crisis of late September, when President Bosch was overthrown by a military coup, Dr. Figueres received phone calls from the Dominican Republic, from Presidents Betancourt and Orlich of Venezuela and Costa Rica, from Gov. Luis Muñoz Marín of Puerto Rico, talked with members of President Kennedy's official family in Washington, and was in touch with many figures in the moderate liberal movement in Latin America, pressing for the principle of not recognizing illegal and military governments, and supporting constitutional juridical principles.

Dr. Figueres, who usually reserves the last 10 minutes of his Harvard lecture periods for a brisk question-and-answer period, willingly submitted to an interview, a synthesis of which follows:

Question. Dr. Figueres, how do you feel about the military coups in the Dominican Republic and Honduras and the overthrow of President Bosch?

Answer. This is a serious setback in the march of democracy in Latin America—one more setback.



The first Dominican communique from the military said they had seized control because "incapacity was the order of the day, and unemployment, too." This phrase is very significant in Latin American affairs. The military often finds that incapacity is the order of the day.

#### UNEMPLOYMENT CAUSES UNREST

And unemployment, unfortunately, is an indication of the real causes of today's unrest in Latin America. Today's unrest is mainly economic. The political events, the social tensions are only consequences of a sick economy.

The trend of the moment in Latin America, I am sorry to say, is toward more military coup d'etats. I have been saying this in my articles in the last few months. I am very sorry every time a democratic and civilian government is overthrown, but I expect more to fall.

This is a wave in a long movement of the currents of democracy within history. This is an unfavorable wave. We have to expect it. We mustn't be too disappointed.

The juridical system of democracy will eventually flourish, but for the time being the weakness of the Latin American economy is such that these things are bound to happen.

Question. How can you be so sure that democracy eventually will flourish, and that the problems are not insurmountable?

Answer. The problems are by no means insurmountable. I have been dealing personally with these problems of government by democracy and totalitarianism for a lifetime. And I have come to the conclusion, which is not wishful thinking, that democracy is not only acceptable but desired by most people, or by all people.

I would say that freedom is a luxury all human beings like to enjoy, that the capability of education is universal with the human being, that it is utterly pessimistic and negative to assume that some people, some countries, cannot live in liberty, or do not wish to live in liberty. You will hear this said, many times, that some peoples do not want, or do not deserve, or are incapable of handling freedom.

This is not true. There is a question of degree. The Anglo-Saxons may have a little more ability for adjusting themselves to order and freedom, but judging from what I have seen throughout the world, maybe more than from what I have read, because I want to use my personal experiences, these values are universal.

#### HEMISPHERIC COMPLETENESS

Question. How would you describe the importance of Latin America to the United States, and vice versa?

Answer. The Western Hemisphere—and I mean Canada, the United States, and Latin America—is destined to be a great factor in human history, and the sooner we are able to integrate in some manner, the sooner mankind will be benefited.

It is interesting to see, by means of a world map, the geographical as well as the historical importance of the Western Hemisphere. The Western Hemisphere is by far the most complete geographical area.

It is in the zones near the tropics that many of the products that are indispensable to civilization are produced. And it is only the Western Hemisphere as a whole that possesses both northern and southern regions, or temperate zones, and a wide tropical zone rich in sugarcane, coffee, cocoa, rubber, and other articles indispensable to our civilization.

Question. After a decade of dictators falling in Latin America, what would you describe as the reasons for this new wave of military governments in Latin America?

Answer. This is due to two causes. Many people have been scared by the advance of the Communist revolution, espe-

cially since the Cuban experience in 1959 with the advent of Fidel Castro. This is one of the reasons there seems to be an encouragement toward military dictatorship again, both by the conservatives of Latin America and of the United States.

The second cause, which may possibly be even more serious, is the Latin American depression, a depression of which you do not read in this country in your newspapers because it does not affect the United States or Western Europe, but a depression which in some aspects is as bad as the depression of the 1930's.

#### STABLE PRICES CALLED NEED

Latin America, after a certain boom, or relative boom of prosperity, caused partly by the economy of the Korean war, went into a depression caused by the dropping of the prices of Latin American exports, particularly of coffee, which is its main export and the second export article in the world. It comes after oil.

And this affects directly at least 14 Latin American countries and indirectly all of them, and also affects all sectors of the economy, even though they may not be directly concerned with coffee.

It is incredible how much economic harm has been done to Latin America by allowing the prices of primary commodities to drop. And when I say "by allowing" I mean by the lack of international means of stabilization at fair levels of prices.

Question. What do you think of the \$10 billion Alliance for Progress aid program in Latin America, which requires the cooperation of both continents in the hemisphere?

Answer. I think that if the Alliance for Progress—which is a good concept that I support—that if the alliance had paid more attention to raising prices of Latin American exports and raising wages within each country, this would have been better than relying too much on long-range plans of development and diversification. If prices of exports and if wages are not raised, we are going to have a decade of great economic difficulty.

The recent world coffee agreement is a good beginning. Unfortunately it came too late, and started at too low a level of prices.

The most important step in social improvement in poor countries is raising wages, and the most important step toward international economic justice is raising export prices.

Foreign financing of the capital deficit, and long-range planning, should be the complement of a basically sound relation with the developed countries.

#### LABOR URGES BUSINESS TO JOIN STRUGGLE IN LATIN AMERICA

Mr. HUMPHREY. Mr. President, in the wake of the keen disappointment I felt when the House cut \$150 million in Inter-American Alliance funds, it was reassuring to learn that the American labor movement is maintaining its program in Latin America and seeks to broaden its impact by urging American businessmen to do likewise.

Recently AFL-CIO President George Meany told the Chicago Executives' Club that organized labor, in a spirit of brotherhood and enlightened self-interest, is spending fully 25 percent of its entire income in its international program. This includes operation of training schools in Washington and elsewhere for Latin trade unionists as well as their support for a period of time after they return home to pass along their new knowledge.

Meany urged American business firms to help strengthen democracy in Latin America by learning to recognize the rights of the people and their unions. A private enterprise economy in which only the rich get richer, is inviting a Communist takeover, Meany stated.

Business apparently is seeing merit in the role labor is playing. David Rockefeller suggested recently a privately financed business counterpart of the Peace Corps.

It is entirely possible that in this vital battleground south of the border American labor and American business will forge a unity of purpose and action that will aid in freedom and economic advancement for the entire Western Hemisphere.

These facts alone should be evidence that we are being pound foolish in our foreign aid program at a time when the struggle is intensifying—not abating.

I ask unanimous consent that this speech by AFL-CIO President George Meany before the Chicago Executives' Club on September 20, 1963, be inserted into the RECORD. Also, to be printed in the RECORD two news stories relating to Labor's activity in Latin America and a transcript of a radio broadcast centering on the Alliance for Progress.

There being no objection, the speech, news stories, and transcript were ordered to be printed in the RECORD, as follows:

TEXT OF AN ADDRESS BY AFL-CIO PRESIDENT GEORGE MEANY TO THE CHICAGO EXECUTIVES' CLUB IN THE CONRAD-HILTON HOTEL ON SEPTEMBER 20, 1963

I welcome this opportunity here today to discuss the program of the labor movement in the field of international affairs, because I am convinced it is one of our most important undertakings—possibly, in terms of the future of the world, the most important of all.

Let me point out at the start that this is not a new field for us. The proceedings of the second convention of the American Federation of Labor, held in 1887, included a report by the resolutions committee—duly adopted—that "friendly relations with European trades unions . . . be continued and encouraged." Obviously those relations had already been established.

Originally, I suppose, this grew out of our common heritage with Western Europe. Many of the early union leaders in the United States had come from Great Britain or Germany, where Marxist trade unionism had its beginnings. Although our labor movement developed along different lines, the old ties have remained strong. For instance, all through this century, and back into the 19th century, we have exchanged fraternal delegates with conventions of the British Trades Union Congress.

But there is another common bond among workers that is even stronger. The man who works for wages has a great deal in common with all other men who work for wages, whether they are in France or Japan or in East Africa. The wage levels, the conditions of life, may differ from place to place, but the basic circumstances are very much the same. If you work for wages you still need some kind of organization, some kind of common effort, to protect and advance the common interests of all. This was the beginning of the American labor movement's interest in other countries—as they phrased it in the last century—improving the lot of the workman. And that was what we concentrated on, here and in other countries, almost to the exclusion of everything else.

In one sense this is still our basic goal. This is still the basic objective of a trade union. But in order to work toward that objective, we have had to broaden out. We have had to keep abreast of the tide of world events.

When that resolution was passed in 1887, the world was a much simpler place. At least it looked that way. The old A.F. of L. could concentrate on the condition of the workingman, because the framework of a free society was more or less taken for granted.

Yes, there were some restrictions on the freedom of American workers; but it was generally felt that they could be corrected in time, since there was freedom in the Nation as a whole. Yes, there was a czar in Russia, a Kaiser in Germany, and a great many kings and emperors in other countries. But only a few of them were absolute monarchs; most of them allowed some form of union organization, and besides, for almost two centuries prior to that, democracy had been cutting down the remaining citadels of royalty.

In short, it was possible to believe that if the labor movement just concentrated on improving the condition of the workers, it could, in a reasonable time, correct most of the shortcomings in human society. Freedom was on the march; labor only needed to catch up and keep up with the advance.

But then the tide began to turn. The Bolshevik triumph in Russia led to a regime that made the czar seem like Father Christmas by comparison. Mussolini's Fascists turned Italy into a police state. Hitler took power in Germany. Spain fell to Franco. And in small countries, a whole assortment of local strong men did away with democracy.

This was only the beginning. Through subversion and war, Hitler's Nazis crushed free societies in virtually every nation in Europe. After the war, "liberation" had barely been celebrated when the Soviets, in their turn, imposed an iron dictatorship on all of Eastern Europe from Latvia to Bulgaria.

For 25 years democracy gave way on one front after another, in one country after another, to totalitarianism of every kind—communism, fascism and some tinpot military dictatorships. The comfortable illusion of the past, that the triumph of democracy was inevitable and would take place of its own accord, was shattered. It was now obvious that democracy would not even survive unless it was vigorously defended—not just on the battlefield, but within the social structure of every country on earth.

These lessons were not lost on the labor movement. Far from it. We watched what was going on, not only as trade unionists, but as Americans, and this is what we saw.

In every nation which fell to a dictator—whether Communist or Fascist—the first objective of the dictator and his party was to destroy the nation's labor movement. Lenin did it; Stalin did it; Mussolini did it; Hitler did it.

And very recently, having stopped pretending to be a democratic reformer and showing his true colors, Fidel Castro did it in Cuba.

The very nature of a dictator requires that he must control the means of production in his country. You can't dictate to any country, whether the dictatorship is of the right or of the left, unless you control the means of production and this means controlling labor, and it means the destruction of free trade unions, because you cannot control labor if it is free to join one with another and create and use the trade union instrumentality.

Now, of course, American union members would be opposed to totalitarian governments in any case, simply because we are Americans. But their education has been

advanced by the realization that trade unions can exist only in a free society. I think this helps to explain why American labor is anti-Communist, despite the Communist claim from the very beginning that they had set up a workers' state. American labor took the very simple position that there could not be a workers state if workers themselves are not free.

There is another side to this, which the entire business community ought to realize. Just as there are no free trade unions except in free, democratic nations, there is no such thing as a free, democratic nation without a free labor movement. Not today; not in any country that has been transformed by the industrial revolution. So, if some people are tempted to wish that unions would disappear, they should pause for a second thought. If our freedom is destroyed, it is inevitable that other segments of the community will disappear as well.

Let me emphasize that the labor movement did more than merely observe while all this was going on. The AFL-CIO, which were then separate organizations, both gave generous help to refugees from Hitler's terror—just as the AFL-CIO has done, in the last few years for the Cuban refugees.

When the war in Europe ended, AFL-CIO representatives and experts were among the first on the scene, seeking out the surviving trade union leaders—most of them were in concentration camps—and helping to rebuild democratic trade union movements. With the exception of the Marshall plan and the aid given by that plan, this was probably the most vital factor in saving Western Europe from a complete Communist takeover.

In 1946, for instance, after liberation found the French trade union completely in the hands of the Communists, a new movement was started known as "Force Ouvrière," and this movement and the financing of it was started by the American Federation of Labor. The appropriation was made to start the French movement as a break away from the Communist-controlled labor movement, and this is fundamental in our philosophy, when the Communists get control of the movement, get control of its machinery, there is no such thing, then, as trying to fight from within. You have to break it up.

Another contribution was made in 1947-1948, when our people were on the scene. In fact, the Mayor of Chicago was the major representative of American labor, and Joe Keenan who is quite well known here and is a vice president of the AFL-CIO, spent the better part of 4 years in Germany seeing to it that the German trade unions recovered their property which has been taken from them by Hitler, seeing to it that they developed their trade union movement along the lines which we felt would be most effective in fighting the Communist threat. And, whereas previously in Germany, as a historic fact, there had always been three divisions of the trade union movement, the so-called Christian movement, the Protestant movement, and the so-called social-democratic movement, through the efforts of American labor, through the efforts of the people we sent to Germany—and we even reached into the clergy in order to increase our influence—we created in Germany in 1949 the Western German Federation of Labor which embraces all of these various segments of the trade union movement.

Actually, the same thing happened in Italy in 1948 and 1949 where we took two rival socialist groups and we were able to get them to join with the leading Christian-Democratic group to form the Italian Federation of Labor. Here was another case where the Communists had infiltrated at the time of liberation and had taken over the machinery of the traditional old Federation of Labor.

The AFL-CIO, of course, cooperated in 1949 in the formation of the International Confederation of Free Trade Unions, which links democratic labor organizations in all the world's democracies. The ICFTU Solidarity Fund, to which the AFL-CIO is the major contributor, helps to create and maintain unions in the new underdeveloped nations of Africa and Asia. Affiliated unions of the AFL-CIO are active in the international trade secretariats, which bring together unions in the same industries or occupations throughout the world.

Twenty-five percent of the AFL-CIO's national income—plus a great deal more from our various affiliates—goes into these international activities. And the only reward we want, the only reward we seek, is the advancement of democracy in these various areas of the world.

I have given this background in order to demonstrate that our interest in other nations is of long standing, and is solidly built upon enlightened self-interest as well as our concern for workers everywhere. We take the position, under the democratic system in this country, the free trade union movement has been able to advance—advance to a greater degree than has labor in any other country on earth. This doesn't mean we are satisfied. We are never satisfied. We keep on trying to improve. But, under this system here in the United States, we have made greater advances for American workers than have the workers of any other land, and we want for that very selfish reason, if you please, to preserve this system, to preserve a system under which it is possible to have the instrumentalities of a free trade union working on behalf of the workers.

So, when we speak of working overseas, we do so, not out of a spirit of charity but out of a spirit of brotherhood and a spirit of enlightened self-interest, because if democracy is destroyed any place in the world, that very fact represents a continued menace to the preservation of democracy here in the United States.

In other words, if all Latin America were to go the way of Castro, moving right up to our borders on the south, would that not, in a sense, be a menace to the preservation of American democracy and of the American system?

This is the reason we are active overseas, because we seek the preservation of democracy throughout the world. We see it as something that is meaningful to the preservation of democracy here, just as we see countries going behind the Iron Curtain representing a menace to the preservation of our free society.

Now, let me turn to a specific project, one in which we take a great deal of pride and satisfaction, the American Institute for Free Labor Development.

Stated in its simplest terms, the purpose of this institute is to train young trade union leaders from Latin America and the Caribbean areas. Train them in the functions of a trade union, how to make it more effective; and train them, also, and this is most important, in the role that trade unions can and must play in building a free, democratic, and prosperous society.

This was our idea, but we are not carrying it out singlehandedly. The institute is a three-way operation. It is supported in almost equal shares by industry, labor, and the Federal Government.

This is very encouraging to us, this participation of business in this enterprise. You may wonder why, for example, a man like J. Peter Grace, president of the W. R. Grace Co., should serve as chairman of the institute's board of trustees. Presumably, stronger unions in Central America would mean tougher collective bargaining problems for the Grace Co.'s operations.

But we have come a long way from the days of the banana republics, when Ameri-



can companies, out of necessity sometimes rather than of choice, made their deals with local tyrants, without regard for the welfare of the population. Mr. Grace and others like him are well aware that the choice today is between democracy and Castroism in Latin America; and that, if democracy is to win, it must meet the needs and the desires of the people, starting with a higher standard of living.

Oh, I don't mean that the whole business community with interests in Latin America should become converted to trade unionism. For that matter, the whole labor movement is not yet converted to the idea of engaging in a joint endeavor with business. Short-sightedness is not confined to any one segment of our society, or to any particular calling or profession.

However, as I have indicated, the widespread acceptance of the institute idea has been very gratifying. And so have been the results.

Let me expand on that brief description of the institute I offered a moment ago.

The operation is centered around a school in Washington, which, since it opened in June 1962, has trained 150 young labor leaders from 19 different countries. These young men and women have come in groups of about 35 each for a 3-month program covering such subjects as the U.S. Government and democratic institutions; labor history; labor education techniques; collective bargaining; threats to unionism and democracy, such as communism and corruption, labor economics and the economic problems of industry and agriculture; special Latin American issues, such as the Alliance for Progress and probably the most important of all, the role of unions as an integral part of a modern democracy.

But even more significant is the school's multiplier effect. Resident training centers or seminar programs in Ecuador, Venezuela, Peru, Colombia, Brazil, Bolivia, Chile, Uruguay, and the Dominican Republic have already trained some 1,300 fighters for democracy. Additional programs are scheduled for the Argentine, Central America, Mexico, Jamaica. Much of the teaching is done by institute graduates who are supported by the institute for another 9 months, after graduation, if this is necessary, after their return home.

Meanwhile, another institute operation, its social projects department is rounding out the picture by aiding unions in building housing projects for their members, establishing credit banks and consumer cooperatives and other community institutions. This department is currently working on some 80 projects submitted by some 50 Latin American and Caribbean unions that represent some 15 million workers.

The first housing project under the Social Progress Division was in La Lima, Honduras, and was dedicated on August 24. New homes in this workers' project can be purchased for a little over \$2,000.

We are devoting this particular attention to our southern neighbors because they are so clearly vital to this country's security. In that respect, Castro and Khrushchev may have done the United States a favor, and Latin America, too by bringing this infiltration of communism to the Western Hemisphere. Assistance to these people in the Caribbean and in Central and South America, can no longer be shrugged aside.

Actually, the bare facts about the physical operations of the institute cannot do it justice. These young people are not engaged in mere academic exercises. They are on the firing line—sometimes literally—in the struggle to turn back a well-organized Communist attempt to seize the labor movements in their own countries.

Let me give you just a few incidents.

Two of our graduates in Honduras have taken the Standard Fruit Co. union away

from total Communist control after a 9-month battle, in which they were attacked in the Communist-controlled press and radio—and had their very lives threatened.

Several months ago, the AFL-CIO inter-American representative went to Honduras and suggested to one of the graduates that he, being faced with the daily threat of violence, might want to be moved to another job.

He said, "Don't worry about me. The Communists wouldn't dare kill me—I am too well known now. If they killed me they would just be making a martyr of me."

And he went back to work and won his fight by giving this union a free democratic leadership.

Six Institute graduates also played an important part in bringing about a popular victory in British Guiana against the Cuba-oriented Government of Cheddi Jagan.

Only 10 days ago we received a letter from a graduate who was evacuated and was returned to British Guiana in late August, after completing our most recent course in Washington. Let me quote from that letter.

"The trouble we are facing here you are well aware of. Already members of the Parliament in the British Guiana Government are attacking me at public meetings. However, I want to assure you that their threats, abuses and attacks will only propel me faster in the fight against any form of totalitarianism or dictatorship in the trade union movement."

The American Institute for Free Labor Development gives men like these a conception of the role they can play in obtaining the benefits due to them as workers, and in carrying their unions forward into full participation in the economic life of their countries, toward a free and better future.

Just a few days ago, David Rockefeller, president of the Chase National Bank, appeared before the International Management Congress in New York and advocated what he calls a businessmen's peace corps. This sounds like a good idea to me, and I hope he follows through and I hope it becomes a reality. As I interpret his remarks, his main idea is to export American business know-how, in order to promote the American way of life. This means, in a sense, he is trying to export democracy. This is what we are trying to do in our role and we certainly welcome an expansion of this effort on the part of American business.

This is the point at which a discussion of international programs—whether they are Government or private—runs into the question of free enterprise.

We think our position is very simple and very logical. We assert without reservation that the private enterprise system has served this country very, very well. We support it; we are a part of it. It is true that we are sometimes accused of being socialists because we favor programs like hospital care for the aged under social security, or better minimum wages, or a 35-hour week. But these programs are not socialism; they are social welfare programs, and this of course is quite a different thing.

The American trade union movement is not interested in Government ownership of the means of production—which is what Marxist socialism means. We want to improve the American economic system, but we don't want to replace it with a different system; we want a better life for people who work for wages but we don't want to destroy the organization that pays those wages.

We like this system, and we are going to continue to like it until some better system is devised; and, up until now, all the efforts made over the centuries on the question of government, there is no system that has been produced that shapes up to the American system.

We heard, a few years ago, about the wave of the future; communism was the wave of

the future. And we heard about the 5-year plan, and the second 5-year plan, and the third 5-year plan and so on and so forth. We heard Khrushchev say he was going to get more food for the Russian people. They were going to have more butter and more vegetables, and more meat than the American people. We have heard all of these things, and this under the system which is supposed to bring the millennium to humanity.

And what are the results? After 40 years of Communist rule, what do we see back of the Iron Curtain? Anyone who thinks that there is some real mature benefits under the Communist system that are not present under our American democratic system, let them go back of the Iron Curtain. They will need nothing more. Let them go just through the wall of East Berlin or through the gate, and they will see the difference. You will see the reason why the American labor movement has long recognized that the so-called dictatorship of the proletariat was nothing but plain, simple bunk.

However, in working with these other countries, I think we must realize and recognize that this country cannot build other nations exactly in the image of the United States. Their circumstances are undoubtedly different, their resources are different, and their problems are different, and their heritage, although it differs from ours, is just as important to them as ours is to us.

In one country, the most popular approach may be for a government to own public utilities. After all, plenty of local, county, State governments own public utilities in this country, or even the transportation system, or even, as in the case of India, it may be necessary for the government to own a steel mill to get their production up to where it might be meaningful. This is something that people in each country have to decide for themselves, on the basis of the best possible advice, for their own best interests.

We in the AFL-CIO do not even try to influence the structure of the labor movements in other nations. We teach the fundamentals of union operation, but how the pieces are put together is up to the people involved.

Our interest—and I repeat, we believe it should be the interest of all Americans—is in promoting free, democratic societies. If the people of a nation freely choose certain political and economic forms, and remain free to change them, we should not be concerned about the forms themselves. For they have the essential quality of democracy—self-determination. That, of course, rules out the antidemocratic totalitarian systems.

Now, I happen to believe that any country is likely to be better off with a large measure of private enterprise—and that applies to the workers as much as anyone else. There may be instances where a greater mixture of government enterprises is desirable, but in general, private enterprise has proved to be the most effective road to progress.

But we cannot just say "private enterprise" and let it go at that. The system has to work for the benefit of the people as a whole. In Latin America, as elsewhere, this means that the owners of business and industry have to learn to recognize unions, to bargain collectively and to accept the right of workers to strike. A private enterprise economy in which only the rich get richer is inviting a Communist takeover.

If Mr. Rockefeller's business peace corps can teach that kind of know-how, as well as industrial techniques, it will strike a telling blow for freedom.

However, I am not minimizing the traditional role of the business community, foreign investment. I would like to see more foreign investment in the underdeveloped countries, such as those where our Institute graduates are striving to build a better life

for their people. Dollar for dollar, private money has a way of producing more results than government money in such undertakings.

Moreover, although I spoke a few moments ago about the probable need for more government ownership in underdeveloped nations, I have no sympathy for the expropriation of such investments once they are made. If a government decides it needs to own a facility built with American capital, it should pay a fair price for it—or be cut off from any further American aid of any kind. On this, I do not believe there can be any kind of compromise.

At the same time, American companies investing in these nations should be free from the spirit of "dollar imperialism." They have every right to expect a reasonable return; but they have no right to expect anything more than that, such as special protection against legitimate union organization.

What is needed are the kind of businessmen who have joined with us and with the Government in the American Institute for Free Labor Development—men who see that progress must be shared by all if it is to deserve the name. And, because they see this, they recognize the importance of a free, democratic, and effective labor movement in every free nation.

Since this is a wholly nonpolitical occasion, perhaps I may use a nonpolitical quotation from a man who is, among other things, a political figure—the President of the United States. He said in a message to the students at our most recent Institute class:

"The destruction of the free trade union movement has been a prime target of the Communist movement. Once the free trade union movement is controlled by a totalitarian state, permitted only to endorse the purposes of the state, the trade union movement is destroyed, and so is democracy."

This is what we believe; this is what we are determined to prevent, through the Institute and all our other international programs. And in this we invite the active help and cooperation of American business.

For after all, while unions and management may quarrel over the terms of a contract; while the AFL-CIO and business spokesmen may be deeply divided on a wide range of domestic issues, from fiscal policy to Federal housing, they should stand together in the great struggle of our times, the struggle that will determine the future and perhaps the survival of mankind.

There are times when management and labor may differ on the details of freedom—when each of us feels the other is taking some of his freedom away. But our devotion to freedom itself, and to its finest expression, the democratic way of life, is identical.

Therefore, what we in the AFL-CIO are doing, in Latin America and around the world, is in the best interest of American business as well as that of American labor; so we are doing it not for ourselves alone, but for the cause of human freedom all over the world.

[From the New York Times, Sept. 17, 1963]

**ROLE OF U.S. LABOR GROWS IN LATIN-AID PROGRAM—13 MILLION IN LOANS APPROVED BY AFL-CIO TO HOUSE WORKERS IN THREE COUNTRIES**

(By Tad Szulc)

WASHINGTON, September 16—The U.S. labor movement is playing an increasingly important role in assisting the Alliance for Progress in Latin America through direct cooperation with local trade unions.

The effort is still little known in this country. According to its sponsors, the American Federation of Labor and Congress of Industrial Organizations, it is making a noticeable impact, turning Latin workers away from Communist leadership and help-

ing them develop their own welfare projects.

The movement, which uses both funds and technical assistance, operates through the American Institute for Free Labor Development. It also works closely with the office of the U.S. Coordinator for the Alliance for Progress.

The institute was created in 1960, but its social projects department has been fully operative for only a year. It is administratively financed in equal parts by the AFL-CIO, the U.S. Government and the business community. George Meany, head of the AFL-CIO, is president and J. Peter Grace, president of W. R. Grace & Co., is chairman of the board.

The social projects department reported that in the year ended last month the American labor movement committed about \$13 million in direct loans for workers' housing in Mexico, Peru and El Salvador.

The loans, coming from AFL-CIO welfare funds, carry a 100 percent guarantee from the Administration for International Development.

In Mexico the labor movement has obligated \$9,569,000 for a housing cooperative for the Graphic Arts Workers Union in Mexico City. The Government has guaranteed full repayment in dollars. The Mexican Government has also donated land for the 3,104-dwelling project in the Balbuena district of Mexico City.

In Peru, where the institute has assisted in the creation of a Workers Democratic Alliance for Cooperative Housing, the AFL-CIO has committed \$3 million. The U.S. Government is supplying \$6 million in addition through the Alliance for Progress.

In El Salvador the labor movement is contributing \$400,000 toward a \$1 million workers' housing project directed by the Alliance for Progress.

William C. Doherty Jr., director of the social projects department, said today that the labor movement was prepared to lend an additional total of \$15 million for workers' housing in Argentina, Chile, Colombia, Uruguay and Ecuador under the U.S. Government guarantee.

In some instances, labor is matching U.S. and local funds. In others, it will cooperate with the Inter-American Development Bank.

The AFL-CIO is also seeking to develop savings and loan cooperatives among the workers in Latin America. The institute insists that a benefiting worker put into savings at least 5 percent of the total value of his home; that the land represent only 25 percent of the value of the home and its improvements, and that the worker pay a maximum of 25 percent of his regular family income toward the home.

The institute is also assisting unions in Latin America with the development of housing blueprints and the preparation of loan applications to the aid agency in Washington.

Mr. Doherty said workers in several unions had deposed Communist leadership after the institute had advised them that no assistance would be forthcoming so long as they were led by nondemocratic elements.

[From the New York Mirror, July 3, 1963]

**How U.S. LABOR AIDS ALLIANCE FOR PROGRESS**

(Before Victor Riesel left on a news-gathering tour of South America, he asked AFL-CIO President George Meany what he believed to be the most exciting development in Latin America. Here is Mr. Meany's answer.)

(By George Meany)

WASHINGTON, July 2.—The one most persuasive reason why I agreed to be a guest columnist for Victor Riesel this year is the area he is visiting on his annual overseas trip.

Latin America occupies more than half the Western Hemisphere. The southern tip of Texas barely dips below the 26th northern parallel; from there to the equator, and the whole stretch from the equator to land's end at Tierra del Fuego, is Latin territory.

Latin America is not only vast in size but, because of its location, if for no other reason, obviously of vast importance to the United States. Yet, until comparatively recent years, our country made no real effort to make friends of our southern neighbors on a basis of equality and mutual respect.

It would take the space of many columns to review that unhappy story. Rather than do that—or even to recite the better record of the labor movement—let us look at the more promising present.

Through the Alliance for Progress program the United States is at last making a comprehensive effort to create the economic, social, and political conditions that will make stable, democratic societies possible in Latin America. The program is far from faultless, but it deserves the interest and support of us all.

There is another Latin American program underway as well—one that is in some ways more dramatic. It is being conducted by the American Institute for Free Labor Development, now slightly more than a year old.

This institution was conceived by the AFL-CIO and is supported by funds from labor, business, and government. As its own statement of purposes declares, it is "dedicated to the strengthening of a free society through the development of free and democratic trade unions in the Americas."

In the narrow sense the Institute is a school. The students are young, freedom-loving Latin American trade unionists, carefully chosen by their own labor organizations in consultation with the Inter-American representatives of the AFL-CIO. They are brought to Washington, 35 or 40 at a time, for a 3-month course that embraces both union techniques and the successful practice of democracy. Those who graduate are then supported for 9 additional months, back in their own countries, to assure them of a chance to begin putting what they have learned to good use.

This is not a brainwashing operation, intended to dictate a course of action. Each applicant for admission must first have devised a project he hopes to carry out. Thus the Institute's role is to assist these young Latin Americans to do more effectively what they had already decided should be done.

Three classes have been graduated thus far, and a fourth is now underway. But the real story is not what goes on in Washington. The real story is what your touring columnist, Victor Riesel, will discover on the Latin American scene, both on the mainland and in the Caribbean islands.

He will find some 120 young men, the first three classes graduated by the Institute, creating and strengthening free, democratic unions where they had never before existed.

He will find them locked in battle against the Communist infiltrators trained in Castro's Cuba.

He will find them, preaching and teaching the democratic way of life, holding classes where their countrymen can learn how a union works, what democracy means, how to spot and smother Communist tactics, how to guard against dictators and demagogues from the right or the left.

He will find trade union training schools, schools for democracy, in Venezuela, in Peru, in Panama, and half a dozen other nations. He will learn that the "multiplier effect" of Institute graduates, 35 or 40 of them every 4 months, is likely to alter the whole course of history in Latin America.

Nor is this a static operation. The day is in sight when all the primary training will



be done in the Latin American schools, manned largely by Institute alumni.

To me, this is one of the most exciting undertakings in the history of the labor movement, for the future of more than half a hemisphere depends upon it.

#### LATIN AMERICA IN DANGER

Participants: President John F. Kennedy (report to the people on foreign aid); Teodoro Moscoso, U.S. Coordinator for the Alliance for Progress; Moderator: Harry W. Flannery.

Mr. FLANNERY. "Washington Reports to the People." President Kennedy on the House cut of half a billion dollars in foreign aid:

"President Kennedy: Under the terms of this bill, hopeful social and economic progress in Latin America will be stalled and our shield against Communist aggression in this hemisphere will be weakened. It will mean that the Soviet Union will be giving almost as much assistance to the small island of Cuba as the United States is to the whole of Latin America. This is no way to defeat communism in this hemisphere."

Mr. FLANNERY. What about the effects of the cut on the Alliance for Progress? The U.S. Coordinator of the Alliance for Progress, Teodoro Moscoso, answers for this radio station and the American Federation of Labor and Congress of Industrial Organizations. The interview is in Mr. Moscoso's office in the Department of State here in Washington. Your reporter, Harry W. Flannery. Mr. Ambassador, if the Senate went along with the drastic House cuts in foreign aid, would the Alliance for Progress be seriously affected?

Mr. Moscoso. Well, it has already been affected, psychologically speaking, of course, by the cut in the House, in Latin America. We are getting reports on editorial comment from prominent Latin American newspapers to the effect that there is a degree of disenchantment setting in with regards to the Alliance and to the creditability to the promises that the United States made at Punta del Este back in August 1961. I think that we can recoup and our image can be restored if the Senate gives us back a substantial amount of the cut made by the House.

Mr. FLANNERY. Is it true, Mr. Ambassador, as the Clay Committee indicated, that the Alliance couldn't use all the money originally requested?

Mr. Moscoso. One of the reasons why some of the Members of Congress believe that we cannot use these funds, and I believe the same reason applies to General Clay's statement is that last year we did not use a little over \$50 million of our appropriation. We didn't use it because we didn't think we could use it prudently. Now, I think that when a program is being administered in such a way as to get the utmost effect out of the taxpayer's dollar there should be confidence in the people who are administering the program and instead of cutting the funds for the next year, the funds that have been requested should be approved.

Mr. FLANNERY. I suppose the recent military revolts in Latin America haven't helped the situation?

Mr. Moscoso. No, they certainly haven't. They have set us back, politically. Hopefully, we again may be able to come out of this very bad setback in such a way that we not only can recover but obtain some advantage from this experience. For instance, I can see where the democratic forces in Latin America will probably rally to the call of danger to the threat that democracy may disappear from the hemisphere unless those who believe in it defend it. I think that since the Alliance for Progress precisely encourages democratic forces, this is the time for the Congress to approve the funds which will permit the Alliance to move forward at utmost speed.

Mr. FLANNERY. Mr. Ambassador, is it true that foreign aid really means jobs and it also

means the prevention of the spread of Castroism in Latin America?

Mr. Moscoso. Well, there is no doubt that a very substantial number of jobs are created by the aid program right here in the United States; approximately 50,000 jobs are pretty much dependent on the aid program because we do not send dollars to Latin America—dollars do not help Latin America or the rest of the underdeveloped world. We send machinery, equipment, commodities of all kinds and, obviously, in the production of these commodities and of this equipment and machinery and so forth, Americans are employed. Now, to say that the program, insofar as the Latin American part of it is concerned, addresses itself to destroying Castroism, I think we are putting the cart before the horse. I think what we are trying to do is create independent Latin American nations and, as a byproduct, we will, undoubtedly, reduce the appeal of Castro-communism.

Mr. FLANNERY. Might not a very effective appeal also be, Mr. Ambassador, the fact that this is a moral responsibility of the United States?

Mr. Moscoso. Well, yes. I think that both things should be done. I must say that a moral appeal is being made in this country in the good traditional democratic manner by private groups. I think there is hardly a community in the United States where some civic group hasn't come out for foreign aid and has supported it for humanitarian reasons.

Mr. FLANNERY. Tell us about some of the conditions in the urban slums, Mr. Ambassador, if you can take a few examples.

Mr. Moscoso. Well, in the case of some of the cities of Latin America, a rim of huts which are given rather picturesque names, depending on what country you are talking about, surrounds these capital cities. In many instances, no water is available, the death rate is very high, the average lifespan is very low, the literacy rate is also very low and, in general, a feeling of desperation permeates the atmosphere of these slum areas. That is why, even from an economic point of view, housing may be a low productivity investment. We are interested in helping Latin American countries begin to attack this problem of slums. We have a very strong program in Latin America of housing construction, both the AID agency and the Inter-American Development Bank have put up close to \$250 million in the past 2 years to assist Latin America in beginning to solve this problem.

Mr. FLANNERY. Has the American Institute for Free Labor Development, Mr. Ambassador, been a help in the progress of the program in Latin America?

Mr. Moscoso. Yes. The Institute has been working very closely with the AID agency and with the Latin American countries in two major ways: First, of course, the Institute runs a series of training centers, both here in the United States and in the major countries of Latin America to train democratically oriented labor leaders. About five groups have already been graduated from the U.S. center, and a new building is going to be dedicated within the next few days to house the Institute. We now have branches of this training center in five Latin American countries and, hopefully, we will get branches in other countries. Now, the second major thrust of the Institute's effort is in the social service field, primarily in assisting democratically oriented labor unions in putting together housing developments for the members of the democratic labor unions in that area.

Mr. FLANNERY. Has there been a change, Mr. Moscoso, in the attitude of the wealthy class in Latin America? Many have opposed reforms, as we know, and some had even lacked a national spirit so much that they were sending their money over to Swiss banks.

Mr. Moscoso. We have evidence of a number of very wealthy Latin Americans beginning to recognize their social responsibilities, which come with great wealth, and not only are they no longer, in many instances, opposing reforms but, in some instances, they are espousing reforms or leading them. Now, hopefully, as the program progresses and as these more privileged classes realize that it is in their self-interest to see that the masses of the people get a better break, we are going to see an increasing response of the wealthy classes to the social needs of their country and a greater participation and even the providing of more leadership on their part for the undertaking of reforms.

Mr. FLANNERY. One of the needed reforms is tax reform. Has this been accomplished to some extent?

Mr. Moscoso. Over 11 countries already have very substantial tax reforms either on their way or about to be undertaken. We should give them credit for having initiated so strongly and so well tax reform programs in some of their countries.

Mr. FLANNERY. Mr. Ambassador, you are suggesting that the Alliance for Progress has made considerable progress. Is this the case?

Mr. Moscoso. Well, I would say that it has made a lot more progress than the people who criticize the program are willing to concede. The ability is there now—140,000 houses have been built, 8,000 schools, 12,000 miles of road, we are now conducting school-lunch programs and other child-feeding programs among some 15 million people in Latin America. Even more important than that, I think that the Alliance is starting to take psychologically—it is starting to penetrate. It is becoming the object of sometimes acrimonious debates but that is all right; that is fine. I think that it is good that a program of this impact and of this dimension be debated and those who are against it have every right to say so, but those who are in favor are now coming out and defending it. And that is one way of making a program of this type well known.

Mr. FLANNERY. What is the hope for the next several years, Mr. Ambassador?

Mr. Moscoso. Well, in the first place, I hope that a greater degree of political stability will be achieved by the knowledge that the Government of the United States will not give economic assistance to military governments that unseat a democratically elected government. I think that with a greater degree of political stability, it will be able to perform much more rapidly in the economic and social field. Many countries will have introduced reforms within the next few years and many of them will have finished their national economic and social development plans, and it will be much easier then for our Agency and other credit agencies to finance these programs as they are embodied in these long-term plans.

Mr. FLANNERY. Thank you, Teodoro Moscoso, Coordinator of the Alliance for Progress. This interview was in Mr. Moscoso's office in the Department of State here in Washington. This is Harry W. Flannery inviting you to listen each week at this same time for this public-service program, brought to you by this radio station and the AFL-CIO—"Washington Reports to the People."

#### CHALLENGE IN LATIN AMERICA

Participant: Joseph A. Beirne, president, Communications Workers of America.

Moderator: Harry W. Flannery.

Mr. FLANNERY. As we see it.

Mr. BEIRNE. The American people are getting tired of carrying the burden of foreign aid, so we slash by \$500 million off Latin America. The result will be that 15 years from now we can carry the burden of the war that will go on, of the troops that will be necessary.

Mr. FLANNERY. Joseph A. Beirne, president of the Communications Workers of America, and secretary treasurer for the American Institute for Free Labor Development. In his talk to the 36th annual conference of the Catholic Association for International Peace on "The Christian Challenge in Latin America," Mr. Beirne called upon the Congress and the American people to preserve and continue the Alliance for Progress. Mr. Beirne warned that without action in the United States and reform in Latin America, Latin America will go Communist. For this radio station of the ABC network and the AFL-CIO, he declared:

Mr. BEIRNE. It was in the days of Franklin Roosevelt that we made famous the good neighbor policy. What is the good neighbor policy? To shake somebody's hand and say, "Go ahead starve, fellow. I am with you. I am your friend. I am here today and gone tomorrow. I will come visit you once in a while. I will eat your food and compare it with mine and tell you how lousy yours is." Is that a good neighbor policy? To me it's not. To me the significance of Latin America in the U.S. affairs has not come home to our political leaders.

One of the greatest things that has received a boost was Kennedy's declaration of the Alliance for Progress. What do you think is the result, when people see that only 2 years later the politicians of America got tired of Latin America and are not going to provide any more money?

This is really no coordination; those in the AID program, like Ambassador Moscoso, are trying desperately to do a job, but are frustrated at every turn of the game. And by what? Basically by the apathy of the American people. It all starts there. Those fellows in Congress just reflect what they have found out, in whatever way it is that they find out what you and I think, and their judgment so far this year has been that the American people want the Congress to do nothing. The American people are getting tired of carrying the burden of foreign aid, so we slash \$500 million off Latin America. We began something here for, it is my belief, that every American has an obligation and responsibility to do his part in the whole world scene, as well as Latin America but particularly in Latin America because we are connected to the continent. We have the obligation to sacrifice, and I mean sacrifice the way in which, at times, it hurts us, not the lipservice that is so often given by too many who are in a position to give more than lipservice.

Mr. FLANNERY. The secretary treasurer of the American Institute for Free Labor Development told of the beginning of the institute.

Mr. BEIRNE. We have got workers who are leaders—some 16 of them—from 12 countries. From our own resources we trained them for 3 months in the fundamentals of democratic trade unionism, the responsibility that goes with leadership and that goes with what they call power. Having trained them for 3 months, we carried them for 9 months on our payroll and had them go back to their own native lands to transmit to their own colleagues that which they retained from 3 months of training.

Our experiment worked. Of those 16 men—15 of them stuck it out—for they had to leave their homes and their families to come up here for 3 months and when they returned they had to stay away from their homes and their families as they traveled throughout their country, not on fast jets and planes and 19-foot cars—like we have in the United States—but sometimes on the backs of mules, sometimes hoofing it—walking it all the way—20 miles, 30 miles, 40 miles, living in the fields. They made the sacrifice of staying away from their homes to teach their own colleagues. And we were greatly impressed with what was revealed

as the capacity of those men—people down there—to sacrifice in carrying out the philosophy, the words and the ideas of free men.

So, a few years later, with a grant from the executives council of the AFL-CIO, securing the services of a professor from the University of Chicago, we studied the whole problem of setting up an institution, a continuing institution to carry out this kind of work. For the last 18 months to 2 years, we have such an institution. It is called, as your program suggests, the American Institute for Free Labor Development.

It's an organization in which the American labor movement, through the AFL-CIO was able to convince certain enlightened business leaders, certain men in the public domain, certain professors in North America and in South America, to join together in a board of trustees for the purpose of raising money to carry out, on a continuing basis, the education, the work attached to carrying the message of free institutions under law.

I am happy to be able to tell you that the pattern is the same as I outlined in our first experimental class 3 months ago here in the United States. Likely candidates have been sent to Israel and to Germany for 3 more months to pursue studies of certain aspects of movements that can be carried out in Latin America like the cooperatives, the credit unions. They had their further studies and then spent the balance of their time on internship, paid for by the American Institute for Free Labor Development, to carry out their work in their own country.

We have had four such courses up here in Washington. One hundred and fifty-one people—mostly men, some 11 women—spent their 3 months up here and are now down doing the job in Latin America of reaching others in their own native lands. We have a class that starts this Monday morning, right over here on 19th Street, off Connecticut Avenue, for those who come from Washington, in the old John Hopkins School for International Studies—the American Institute has taken over one of their buildings—and Monday morning, 31 more will be going through the fifth class for 3 months.

At the same time, we established institutes down in Latin America; we have some 11 already in operation in 11 different countries. Through those 11, we have already trained 1,682 men and women. What are we teaching there? We are trying to teach them that which is lacking in the curriculums of Latin America. Not only how to set up free institutions, not only how to fight to maintain them and continue them, but also that which has been lacking in Latin American life, the responsibility that goes with leadership—responsibility to an organization, responsibility to people, responsibility to a nation, responsibility toward the carrying out of an idea.

We remember reading in our newspapers here a few years ago about Richard Nixon, when he was Vice President. He went to Latin America and was stoned and spit on. Well, it took us, through our own means, about a month to determine that there were only four people—none of whom came from the nation—who organized that whole demonstration. Four Communist-trained men. And they were able, in a short period of time, to get hundreds of people, who didn't know who Richard Nixon was any more than they know what constitutes the powers of a nuclear warhead, but who were ready to spit at, ready to throw stones at him, as we remember seeing on our television and in our newspapers. Four Moscow-trained agents.

Now, the American Institute for Free Labor Development has only been in existence, as I say, operating for about 18 months or 2 years. The Communists have been there for 10 years. Thousands of men were taken to Warsaw, to Moscow, some used to

go to Peiping before the big split, trained not for 3 months, trained for a year, trained for 2 years. What will be one of our big problems in Cuba? Two years ago, 3 years ago, the whole fourth grade of the public schools—practically every child—was shipped over to Moscow to go to school. Many of them haven't come back yet. Now, when they come back, and they go to the schools in Cuba today, you and I should both know that when they grow up and reach the age of 16, 17 or 18 they will be dyed-in-the-wool Communists of the type that you can't touch. They have so many trained already that they are exporting them to other parts of Latin America.

Our universities in the United States have been doing a lot of things, but not enough. What we are doing is not enough.

Mr. FLANNERY. Joseph A. Beirne, president of the Communications Workers and secretary-treasurer of the American Institute for Free Labor Department, cosponsored by the AFL-CIO and American business leaders, in a talk at the 36th annual CAIP conference at the Sheraton-Park Hotel in Washington.

This is Harry W. Flannery, speaking for the AFL-CIO and inviting you to be with us next week at this same time for "As We See It." This program, a presentation of ABC public affairs, has been brought to you by the ABC radio network and the affiliated station to which you are listening.

#### LATIN AMERICAN INTEGRATION

Mr. HUMPHREY. Mr. President, the Alliance for Progress represents, as I have stated earlier in this debate, the most important part of our foreign aid program. In the continuing struggle for political and economic improvement now going on in Latin America, there are many problems to be solved in this crucial area and one of the foremost is the problem of economic integration.

The President of the Inter-American Development Bank, Mr. Felipe Herrera of Chile, a man well acquainted with the problem of economic integration in Latin America, recently discussed the problem in a lecture at the University of Chile.

With the notable exception of the Central American common market, the 20 separate nations of Latin America have thus far had little success in coordinating economic and political decisions essential to the process of development. The discouraging and frustrating effects of this unsatisfactory arrangement have been felt here in the United States as well. In carrying out development programs such as the Alliance for Progress, we have been hampered in our efforts by the lack of cooperation and coordination among the states of Latin America. It is a grave error to imagine that such programs can achieve maximum results under the existing situation. As Mr. Herrera says:

This is the error of believing that it is possible for a country as expansively developed as is the United States (which in effect is an integrated nation comprised of 50 States) to have a relationship without frustrations and mistrust with each of the 20 disunited countries of Latin America.

Both interested Americans and Latin American development leaders realize that only through integration can Latin America become an equal partner in the Alliance for Progress.



Several organizations in Latin America have begun to lay the groundwork for the first necessary steps toward integration. These groups are working to coordinate monetary and fiscal policies and to attract more private investment in Latin American development programs. An attempt is also being made to encourage freer trade among the nations of Latin America. This program would utilize the experience of the Common Market nations of Europe to establish a Latin American common market, an arrangement which I have advocated on the floor of the Senate.

The Inter-American Development Bank has acted as a central coordinator for all agencies interested in Latin American integration. A concerted effort is now being made to obtain maximum use of the technical resources of each agency in order to attain the common objective of integration. These measures represent only a beginning of the solution of the problem of Latin disunity.

This whole problem of Latin American economic integration is being discussed this week at the meeting of the OAS Inter-American Economic and Social Council in São Paulo, Brazil. I hope that out of this conference will come some guidelines for hastening economic integration on the South American Continent. It is time for South America to catch up with its Central American neighbors.

I ask unanimous consent that Mr. Herrera's address, "The Financing of Latin American Integration," be printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

#### THE FINANCING OF LATIN AMERICAN INTEGRATION

(Address delivered by Mr. Felipe Herrera, President of the Inter-American Development Bank, at the University of Chile, May 22, 1963)

Mr. President, ladies and gentlemen, President Gómez Millas was perfectly right when he said that it is pleasurable and rewarding to rise to positions of responsibility so that one may be able, even if partially, to realize the dreams of one's youth. Therefore, I am deeply grateful to all of you who have shown a willingness to listen to me this afternoon here at the University of Chile, my alma mater, where on so many occasions we, the men of my generation, discussed our dream of Latin American unity. True, it was not a dream of our own making, for it had also been cherished earlier by the generation of 1920 under the leadership of Santiago Labarca, with the same impassioned faith with which the youth of today continue to cherish it in these same halls. The only difference is that today the events of history have provided positive steppingstones toward giving tangible form to those ideals, to such an extent that in this momentous period in the life of Latin America, we are talking concretely of the unification of our countries.

As I look back and think of the ideological inspiration of those past generations; as I recall the times, not so long ago, when the necessity of our integration was nothing more than a theory advanced in the lecture room; as I compare that situation with the position today, when we can meet to discuss in concrete terms "the financing of Latin American integration," I cannot help but urge you to ponder on the tremendous process of acceleration that has occurred.

#### THE UNIVERSITY'S TASK: GIVE INTEGRATION PHILOSOPHICAL AND POLITICAL SUPPORT

Aside from these personal reasons which are so dear to me, I am also happy to have this opportunity to meet with you here, because in my travels through Latin America I have made it a habit to visit the universities. I believe that in these turbulent times, these times of heated debate, of the violent clash of ideas, doctrines, and attitudes, it is in the Latin American university that we still are able to communicate. Tolerance must be protected there where the unceasing restlessness of the young people is combined with the positive accomplishments of the more mature generations.

In that always significant and fruitful dialogue that I have been holding with Latin American university groups, I have noted that, along with the pragmatic concepts of integration, there is a desire—a desire not yet expressed in so many words—to nourish those technical schemes with a philosophical and political line of thought that will endow integration with the sense of cohesion it now lacks. We want a kind of integration that will go beyond that based on the concepts of the common market, regional planning, coordination of monetary policies, customs agreements, and other such arrangements. What is urgently needed is an overall design that will bind together Latin America's materials needs with clearly defined philosophical and political concepts such as will give meaning to the unitary solution. I should like to make my words forceful enough to encourage not only the young students but their teachers as well, so that through their thinking, through their intellectual processes, we, the men of Latin America, might be able to find that philosophical and political content so sorely needed in the present-day life of our hemisphere. Such a synthesis is essentially a task of the university. It is the inspiring task which the universities of Latin America have today within their grasp.

#### TOWARD A HEMISPHERIC NATIONALISM

It is from such perspective that we can speak, as indeed we are speaking, of a hemisphere nationalism in Latin America; a nationalism that comes, not as it did in times gone by, from dismemberment, from atomization, from the proliferation of frontiers, but from a concept and process of reintegration.

I had occasion some months ago to outline these ideas at the University of Bahia, when I said that "Latin America is not 20 nations; it is 1 great dismembered nation." It may be added that there are many cases in history where the tendency toward national identity has been nourished not by the idea of separation or the desire for individualization but rather by a tendency toward association, a movement toward a new rendezvous with a historic destiny clearly indicated by centuries of time but lost from sight or thrown off course by events. If one seeks a current example, one need only look at the process of reunification now at work in the old Arab world which in recent centuries had been fragmented.

However, we must make it very clear that this hemispheric nationalism cannot be a mere emotional concept based on the spiritual ties and mutual interests of our countries. It is not the old nationalism—bound by the traditional canons that identify the people who comprise a state by their similarity of origin and custom and by their common love for the land lying within the national borders—it is not that type of nationalism that should be translated to the hemispheric level, simply by exchanging narrow borders for wider ones. We must be able to give the new concept of integrated nationalism a dimension in depth that will cause the process of integration to produce a genuine impact on the great masses of the Latin

American people, on their welfare. Otherwise the idea of integration will be nothing more to those people than theoretical discourses from the study halls, far removed from their interests and their prospects.

The integration of Latin America must not be looked upon as an alternative to the urgently needed structural transformation which, to a greater or lesser extent, should be initiated, carried out, or completed in our countries. Integration must not be regarded as the remedy that will make it possible to overcome the present crisis without facing up to the integrating task itself from within, from its very roots. We must not forget that despite all the progress made by our hemisphere in the process of acculturation, in its effort to bring great groups of marginal populations into civilized life, Latin America still has an illiteracy rate of 40 percent; that is, 40 percent of the people still have not been integrated into the scale of ideas and values that determine the trends of public opinion among the more culturally advanced groups. Let us not forget that there are still some 20 million Latin Americans who live under the most primitive conditions, equivalent to those that prevailed among the indigenous precivilizations that antedated the more developed ones found by Columbus and those who followed him. To them, clearly enough, this recovery of Latin America through its process of integration has and will have no meaning if at the same time they are not incorporated into the cultural and material way of life that will identify them with and bring them into the more developed sectors. Integration must simultaneously have both depth and breadth. The mystique of hemispheric nationalism will create fraternal bonds among the Latin American masses when they become fully aware that integration is not only going to give them a common market but will also widen their horizons toward well-being and hope.

It is certain that without integration there will be no economic development in Latin America. But I would venture to say with equal emphasis that if at the same time we fail to create the social conditions appropriate to development; if our countries fail to transform their structures; if they do not achieve a better distribution of national income; if they do not expand the benefits of education; if they do not improve welfare and health conditions, we shall likewise have no integration.

It is dangerous to distort the meaning of integration—as certain groups, by definition its enemies, are seeking to do—by claiming that the process of integration can be turned into an alternative for the responsibility that is incumbent upon modern governments to satisfy the demands and needs of the great masses who aspire to something better than their present situation. It is necessary to insist that if on the one hand we shall find the solution for many of our problems only through integration, on the other hand it is imperative that the benefits of integration be distributed and spread out among all levels of Latin American society.

#### INTEGRATION AND THE ALLIANCE FOR PROGRESS

What I have just said is closely related to two topics that have come up in practically all the conversations I have had in Chile in the course of this official visit as President of the Inter-American Development Bank, whether with high Government officials, with outstanding representatives of private enterprise, representatives of labor and co-operatives, men from the various regions of the country, with the authorities, or with the faculty and students at the universities. These two topics are the Alliance for Progress and the Latin American Free Trade Association. And obviously there are concepts and opinions about them that merit analysis.

The Charter of Punta del Este, which set the legal framework for the Alliance for

Progress, attempts to lay out the common paths by which the Latin Americans may advance to find new horizons. Thus, there is clearly a connection between the Alliance and the concept of integration that I have defined.

In the conversations which I mentioned, the attitude of my questioners has been the same in essence although cast in different molds: "The program of the Alliance is not working out, or it is working badly, or it is a failure, or we have no faith in its results."

At first glance, and from the way in which the problem is brought up, it is not difficult to appreciate the reason for such opinions. And still further, if the program of the Alliance is regarded as a unilateral decision of the United States to provide assistance to the countries of Latin America through bilateral arrangements with each of them, one can perfectly well explain the feeling of frustration to be noted on all sides.

If the program of the Alliance for Progress were of that ilk, it would not be worth the trouble it took to formulate it. The Alliance would have no reason for being, had it not been conceived as it was, that is, as an inter-American program. It would not be worth the time spent on discussing its effectiveness if the entire plan of Punta del Este were to develop into a series of isolated bilateral actions of the United States with each Latin American country. But on the contrary, if we look upon the Alliance as a program of Latin America in which the United States participates, then the Charter of Punta del Este and the whole plan it outlines have meaning. It is imperative, then, for us to Latin Americanize the Alliance for Progress. And to do that, it will be sufficient for us to recover that regional sense which is the very essence and basis of the Charter of Punta del Este.

In fact, anyone who reviews the charter will note that it brings together aspirations toward which Latin America has been struggling through many long years, to which the United States and Europe had so far given no response, and with regard to which not even we, the Latin Americans ourselves, had been able to come to agreement. The charter speaks of the need of achieving the economic and social development of Latin America and the right of the people to enjoy the benefits of that development; it points out the urgency of having greater public and private investment and guarantees the minimum external assistance required for development; it emphasizes that there can be no solution to Latin America's problem if a formula is not found to insure stability of export earnings and fair prices for our raw materials; and finally, the charter states that economic development will not be enough if, at the same time, there are no social development and social reforms, and that consequently governmental investments should not be confined exclusively to the fields of production but must also help to provide homes, education, and good health.

It is a Latin American program to which the United States has pledged to give financial assistance and support to help solve the problems of greatest concern to our countries, provided the program takes on meaning for us, the Latin Americans.

What is happening, as I have said before from other platforms, and I repeat it today here, in my own alma mater, is that within the program of the Alliance, the same error is being committed that has been repeated over and over in inter-American relations throughout our history. This is the error of believing that it is possible for a country as expansively developed as is the United States (which in effect is an integrated Nation comprised of 50 States) to have a relationship without frustrations and mistrust with each of the 20 disunited countries of Latin America.

Therefore, I believe that the program of the Alliance can have meaning only if Latin America comes to agreement within itself, sets itself up as a regional bloc, and thus established, agrees on common and reciprocal action with the United States in order to attain the objectives of the Charter of Punta del Este. Western Europe has already shown the way and we can also see it today in the new states of Africa which, boldly and without hesitation, are laying the political foundations of the Pan African process.

The program of the Alliance—under that name or any other—is not a program for the United States. It is a program for us, and nobody is going to make it for us if we do not make it ourselves. Chile, our country, has an important role to fulfill in that program and I am sure that you, and all of the other responsible and representative sectors of this Nation, so understand it.

#### INTEGRATION AND THE LATIN AMERICAN FREE TRADE ASSOCIATION

The activities of the Latin American Free Trade Association are being judged in terms similar to those used in criticizing the Alliance. It is not functioning, or it is functioning timidly, it is said. This policy of traders, of simply negotiating the removal of duties on exports and imports, is not enough, it is added; it is necessary to do something more, something deeper and more far reaching.

Obviously, no one can deny that those who think this are right. But they forget that what the Latin American Free Trade Association is doing today is carrying out the terms of reference which the countries that comprise the Association set for it in 1958, that is, less than 5 years ago. In that short time we have advanced so much that what we approved only yesterday now seems insufficient to us. We should congratulate ourselves on this, because it is clearly a sign that a conscious feeling for integration is taking shape at a much faster pace than even the most optimistic would have dared to think.

What happened in 1958 when the Association was established was the same that had happened to us so many times in the past. As on other occasions, we Latin Americans were attracted by the results that Western Europe was obtaining through its process of integration. But, as had also happened so many times in the past, we erred in imitating. Instead of drawing from the approach of the "Inner Six," with their Rome Treaty, their Common Market, their administrative and technical integrating agencies set up in Brussels, we went only halfway and followed the more restrained arrangement of the "Outer Seven," as adopted by those countries that were not in a position boldly to join a common market, which presupposes not only many reciprocal relinquishments and, consequently, immediate sacrifices, but also the maintenance of common policies in the principal aspects of economic activity and even of social advancement.

We copied badly and it should not surprise us that the Latin American Free Trade Association is having to cope with the limitations that we ourselves imposed upon it. Because of our cautiousness, we copied badly, as so many times in the past. And we did so because, unfortunately, our decisions are still influenced by the timid, by those who believe that to move quickly is dangerous, who think that we can take a long view of these processes over a 50-year period: Those who will say to me, "How interesting your speech was, but what a pity that we shall have to wait 40 to 60 years, at least, to see your ideas materialized."

I believe that those persons are unaware of the fact that the pace of our times is much faster than the rate of improvement in science and technology. For many years a very great imbalance could be observed

in this respect; the physical, mathematical, and biological sciences were progressing much more rapidly than the processes of social organization. But today I would venture to say that perhaps the processes of adjustment, readjustment, and revolution of our contemporary society are trying to make up for the long delay, or even to forge ahead at uncontrollable speed, as compared with the advance of the sciences and of their application that became so marked beginning in the 19th century.

So I feel, my good friends, that I am not addressing myself to tomorrow, to our children or our grandchildren. I am talking, we are talking, on behalf of ourselves, on behalf of those of us who today have the responsibility of shaping the destiny of Latin America. If we Latin Americans ignore the urgency of the situation, we shall remain outside the margin of history. We shall see history pass us by, offering opportunities to other men, to other nations, to other regions that will not waste them through timidity, through cautiousness, through fear of the future, through conformism.

Ours is the time of integration. In a document that has made history in our era, the projections of which are bound to reach out through the course of all time to come—the last encyclical of the late Pope John XXIII, *Pacem in Terris*, Peace on Earth—it is most profoundly pointed out—and I believe that it is not by chance that this encyclical is related in large part to the last Ecumenical Council—that mankind is inevitably and irrevocably moving toward a process of unification of political doctrines, of ways of life, of regional blocs.

I am convinced of the reality of that approach and therefore I believe that if Latin America proves incapable in the next 10 to 15 years of bringing itself together into a political bloc of its own, our countries will find it necessary, perhaps individually and disjointedly, to form part of some sort of world integration. In other words, the usual thing would happen to us: a hemisphere apparently full of prospects would lose the opportunity to bring them to fruition because it was waiting for the right time, like those young girls of marrying age who let marriage, which would complete their lives and carry them into the future, pass them by because they are waiting for the ideal husband, one who can give them security. That ideal prospect is the one who quite generally never appears.

I repeat that I believe that the time for action in Latin America is today, not tomorrow. And I sense, I divine this same conviction in your unanimous uneasiness, in your interest in these subjects, in your presence at this conference. It is apparent, too, in our governments. Good proof of this is the significant declaration recently signed by Presidents Alessandri and Goulart. I believe that the proposal to convene a meeting of Ministers of Foreign Affairs to consider a new approach to the need of institutionalizing the slow process of our economic integration may well have very important outgrowths.

The Foreign Ministers of the Latin American Free Trade Association countries may find a good example right here in Latin America. The five countries of Central America were more daring, less cautious than the members of the association. They are creating a genuine common market. Their organs of consultation, working on a continuous basis, are accelerating the process day by day. Very appreciable and concrete benefits are already being felt. They were not content in Central America with talking about economic integration. They are integrating. A new spirit of integration has taken hold of the people of Central America and they are confident that after all the present obstacles and limitations have been overcome, they



will see the development of an integrated nationalism having both breadth and depth—which is exactly what we should like to see projected throughout all of Latin America.

The process of Latin America's integration requires political decisions that will encourage, work out, execute, and make possible the implementation of the plans of the technical experts. The technicians can plan and study integration, but it is the governments, as the leaders of public opinion in each country, that will have to put it into effect.

#### THE RAW MATERIALS PROBLEM

Before beginning to consider and analyze the machinery for financing economic integration, we must make this point very clear: such machinery by itself, no matter how efficient we make it, is not going to solve certain basic problems of our present regional economic situation. These problems existed before we began to make an effort to establish intraregional organizations, and their solution cannot be found exclusively within our own community.

Regional financing is very important; in this respect, although I am an interested party, I believe that the establishment and functioning of the Inter-American Bank are of paramount significance. The stimulation of Latin American exports within our own area represents a positive advance; in fact, great importance may be attached to all the various mechanisms of this type that we have established, and many others that we have not yet set up, which I shall discuss later on. But there are essential aspects of our financial situation that must be given priority if we wish to make regional development possible.

Such is the case of the problem, foremost in importance, of our raw materials. It is utopian to think that Latin America will be able to emerge from its underdevelopment if the present international trade structure, in which the facts seem to say that the countries producing raw materials are condemned to stagnation, is maintained.

At the close of World War II it was honestly believed that the advances in technological development, in a climate of international understanding that then seemed very simple to preserve, were going to be spread throughout the world, making it possible, thanks to that technological progress, for the more backward countries rapidly to rise to the levels of the more advanced countries. The real situation, as you know, has been otherwise.

The backward underdeveloped countries have been and continue to be relegated perhaps to a greater distance behind the others today than they were yesterday. In the final analysis and reduced to its least complex terms, the explanation is very simple. They are countries which continue to sell cheap and buy at constantly higher prices. This definition may seem elementary, but essentially it is correct. Worse still, this equation shows no immediate possibilities of change. It seems that there are factors inherent in the relationship between industry and the production of raw materials that determine this situation—an intrinsic relationship between manufacturing productivity and the production of raw materials that will always work to the advantage of the former and to the detriment of the latter.

In the face of this situation, one of the principal concerns in the economic policy of many countries of the world, beginning with the most advanced ones, has been precisely this problem of balancing the returns from the labor of the raw-material producing sectors against industrial productivity. This has been and continues to be so in the United States, in Western Europe, in the Soviet Union, and in Communist China. The United States has traditionally upheld the

system of free prices; nonetheless, we see that throughout its history, particularly in the last 30 years, agriculture in the United States has continuously been receiving a subsidy; that is to say, it has required a policy of income redistribution in order to enable those who engage in the production of these primary products to have a level of purchasing power similar to that created by industry or services.

Today efforts are being made to find an international equivalent to this domestic search for a measure of balance between the production of primary commodities and industrial productivity. Fortunately for Latin America, there are men who are currently studying these problems and working to find progressive solutions. Within a short time—at the beginning of next year—a World Conference on Trade and Development will be held for the declared purpose of dealing with this very important question. The very name of that conference is most expressive, because in fact the idea of development without a prior study of trade relations would result in these times in nothing but artful dodgery. Dr. Prebisch has just officially terminated his duties with ECLA—which he has inspired and guided for 15 years—to make his experience and his broad knowledge of Latin America available in a wider field, the organization of this conference.

Let us hope that to that meeting, which may well have a decisive effect on our future, Latin America will come united, forming a bloc capable of bearing the combined weight of our region and of making its intrinsic importance felt in world trade. The day when we Chileans can place our copper on the balance along with the coffee of Brazil and Colombia, Bolivia's tin, the wool and meat of Argentina and Uruguay, the sugar and fishmeal of Peru, and similarly with all the Latin American countries, we shall really have advanced toward a solution of our raw materials problem. Otherwise, suspicion among us is again going to darken the outlook for the common interest. If we arrive disunited at this forthcoming world conference, the chances are that we shall return from it lamenting once again the lack of understanding of the other blocs and then we shall continue to repeat our complaints about the increasingly more serious deterioration in our terms of trade.

The inexorable facts, as shown by hard statistics, urgently call for action on our part. Latin America's share in world trade is decreasing in significant proportions. Looking at the last 30 years, we see that Latin America's share in world trade, which generally used to fluctuate around 10 percent, has fallen since 1955 to 6 percent, with no signs of recovery.

#### LATIN AMERICA'S GROWING INDEBTEDNESS

There is one direct consequence of the crisis in the terms of trade, which is not always borne in mind or immediately noted, but the incidence of which is evidenced every day at the Inter-American Bank and in other international financial organizations.

This evidence is as follows: The loan applications submitted by our countries are increasing daily, and year by year the volume of external indebtedness of our region grows larger. What is the reason for this? Is it only an old incurable readiness to go in debt as the easiest way to obtain funds that can immediately be applied to tangible works? We at the Inter-American Bank do not believe that is the reason.

The answer lies in the raw materials problem to which I was just referring. Deterioration in the prices of our exportable basic products generates these now so familiar balance-of-payments crises. The more difficulties a country has in its balance of

payments, as its available foreign exchange declines and its internal rate of growth decreases from the effects of these crises in its foreign trade, the more that country will have to move toward international indebtedness.

This is a situation that we find not only in Latin America but in general in all underdeveloped countries. Figures were submitted at a recent meeting of the Development Assistance Committee,<sup>1</sup> at which the representatives of 12 capital-exporting countries expressed concern at the fact that the annual service on the debt of the countries in the process of development has more than doubled during the last 5 years, having reached an annual sum of \$2.5 billion.

In the case of Latin America, the external public debt of the member countries of the Inter-American Development Bank increased from \$3.7 billion in 1955 to \$9.2 billion at the end of 1962. And services on that debt increased from approximately \$550 million in 1955, equivalent to 7.4 percent of the value of these countries' exports that year, to an annual average of almost \$1.2 billion in 1961-62, which is equal to 14.5 percent of the average value of their exports in those 2 years.

I have tried not to overload this presentation with figures, but I think it is imperative to cite these in order to give a clear picture of the financial consequences of the raw materials problem. Let us look at these figures and measure their importance: 7 years ago, out of each \$100 that Latin America obtained for its exports, \$7.50 were used to pay international debt; today almost \$15, double the earlier amount, must be allocated to that same purpose. In my opinion this is due basically to the fact that Latin America has been unable to find through ordinary channels and the natural sources of its foreign trade the external resources it needs to promote its internal development.

#### THE PROCESS OF CAPITAL FORMATION

Without discounting the decisive influence of foreign trade in the process of capital formation, there is, of course, another, autonomous form of capital formation in our countries. Such capital is derived from two sources: Domestic savings and investment, and investments from abroad.

In this respect, it is well to remember that the process of capital formation in Latin America has depended fundamentally on its own domestic effort. Proof of this is found in the fact that in the 10-year period 1951-60, almost 90 percent of capital investments came from domestic sources. This explains why, despite critical balance-of-payments problems, the relatively more developed Latin American countries have been able to accelerate their domestic growth.

Of course, in order to build up domestic savings and their subsequent investment in the country itself, it becomes necessary to adopt a fiscal and monetary policy that will stimulate savings and investment instead of discouraging them. On this point one cannot lay down rigid rules, that will act like a straitjacket, but it must be understood that a sound fiscal policy, joined with an equally sound monetary policy that will protect the internal purchasing power of the savings, can create conditions that will stimulate the dynamic process of investment.

The fact that we recognize the importance of domestic sources of capital does not mean that we deny the importance of investments coming from foreign sources. We do not think, as unfortunately many people in Latin America do, that our process of development can be financed only with a

<sup>1</sup> A specialized agency of the OECD whose function is to coordinate the action of the capital-exporting countries.

stream of dollars poured in from abroad. This line of thought is as uninformed and childish as the other extreme, which many Latin Americans also uphold: that is, that foreign aid or foreign investment should be rejected because in themselves they are harmful. Both extremes, the ingenuousness of those who expect everything from abroad and the prejudice against foreign capital, are equally wrong and injurious. The realistic and constructive course is to admit that investments obtained from foreign sources are necessary to accelerate the process of capital formation, but in the full knowledge that everything cannot depend on such external assistance but basically must depend on domestic effort appropriately encouraged by wise fiscal and monetary policies.

#### INTEGRATION, CAPITALIZATION, AND PLANNING

Having thus described the factors affecting capital formation, let us project these concepts from the national level, where they are now developing, to the regional level, through the process of integration. I will tell you right now that I am among those who are convinced that integration is bound to expand the opportunities for profitable investment, both internal and external.

To demonstrate this, it will suffice to outline the mechanics of economic growth that would operate. There cannot be the least doubt that, as we expand markets, our industries will have broader opportunities for growth. They will be able to sell more and to improve their earnings, as well as those of their shareholders and their workers; consequently, tax revenues will increase without its being necessary to encumber the capacity for savings, investment, and capitalization. On the contrary, the capacity for both public and private investment will expand.

It is no mere coincidence that the smaller a country, economically speaking, and the smaller its volume of trade, the smaller will be its capacity for investment or capital formation. Thus, the small countries that have wanted to advance economically have had to export, because with limited production intended solely for domestic consumption they would not have been in a position to produce capital goods; they would not have had sufficient capacity to finance the cost of the investment required for their development. Switzerland, Sweden, and New Zealand may be cited as typical cases.

Fortunately this lesson now appears to have spread to Latin America. Among representative sectors in our countries there is currently an awareness of the close relationship between this complex process of capital formation and the expansion of production which can be attained through reciprocal exports within a common market.

In this respect, allow me to make a brief aside. One thing that has impressed me most keenly in this visit to Chile is the new mentality that can be observed among our industrialists and businessmen, intent on projecting Chile outward. I recall that only 10 years ago one could not have said the same. At that time, as Minister of Finance in the previous Government, it devolved upon me to sign two decrees, both with the force of law, for the development of fisheries and the iron industry, waiving taxes for both, allowing them to secure foreign exchange at the most favorable rates, and giving them other incentives which at that time it was possible to grant. Certainly there was no absence of warning voices, predicting the failure of the measures advocated by "that young Minister, full of theories, who wants to apply techniques that will yield no results and whose decrees will not even be put into force."

Today, when I read the statistics, when I fly over the national territory, and when I learn that the fishery industry has become

a flourishing reality through the exportation of fishmeal and other items; and when I also see that iron exports are compensating the decline in nitrate exports, I am deeply gratified to see that in this country also, when incentives for work are created, new forces emerge as if they were springing from the desert or from the rocks. Because the Chilean has extraordinary creative capacity and perception; so much so that many times the lightly stimulating touch of a legislative measure is enough to release that dynamic impulse that has only been awaiting propitious conditions to manifest itself.

I have experienced equal satisfaction—even greater, in fact, because the Inter-American Bank is connected with the process—in observing the unusual development of the paper and pulp industry, which in its time also had to overcome the skepticism of the Jeremiahs who rushed forward to predict that we would never be able to compete with the Canadian or Finnish producers. Nonetheless, it fills one with pride today to go to the presses of the great newspapers of Buenos Aires, Mexico, or Lima and find there on the great rolls of newsprint the words, "Made in Chile."

Chile has learned the lesson to which we were referring a few moments ago, and that is why it is now one of the Latin American countries that best understands the advantages of and the need for a common market.

And now, my friends, let us go on with the analysis of the problems of financing integration. We have already spoken of the role of external contributions in the process of capitalization. We now may say that external financing can also have a decisive function in the process of integration, as the European experience has eloquently demonstrated.

In the course of my activities in the Inter-American Bank I have devoted a good part of my time—and I believe that it has been time usefully spent—in traveling through the United States attempting to present a true and realistic image of Latin America, an image that will dissipate many misunderstandings. I have found in both the businessman and the man on the street in the United States a very deep interest in reaching terms of understanding with Latin America. What happens is that they do not know how to build up that understanding.

It is very interesting to observe how in cities or in communities where the concept of Latin America is very general and even confused, there is, nevertheless, a genuine interest among businessmen in the possibility of expanding our markets.

This should not be surprising because—despite what many narrowminded people maintained following the end of the last war—the industrialist and the investor of the United States also benefited from European recovery, because the industrial growth of Europe has been promoted jointly by foreign investments, basically from the United States, and by its own investments.

I believe that in our hemisphere we can repeat such an experience. Of course I think that in Latin America private investment must be supplemented by international public investment because there are fields and circumstances that require a special kind of financing, over a long period of time and under very flexible conditions, that cannot be asked of private financing.

It is also essential that our countries have development programs very clearly setting forth the objectives sought and the sectors that predominantly require external investment. Investment just for the sake of investment, or borrowing just for the sake of borrowing, not only will not insure development; it can often pile up fatal results. Not exactly for foreign investors, but for ourselves. Available foreign resources are always limited; therefore, if we do not use them well, if we do not encourage and chan-

nel them wisely through sensible programs and plans, we shall be impairing our borrowing capacity and squandering the external investment.

It is gratifying to note Chile's judiciousness in preparing the 10-year plan now in force. It is equally gratifying to observe how in Latin America, especially since the Charter of Punta del Este, most of the countries are following the same course.

Suffice it to say that in a little more than 2 years, 10 countries have set up their national planning agencies and 6 of them have embarked on the execution of new national development programs, while a number of other countries are engaged in establishing their planning agencies and preparing their plans.

Nevertheless, I cannot conceal a certain concern stemming from a knowledge of our Latin tendency to give theoretical and formal replies to problems, forgetting that the statement of the problem and its solution is not enough; the essential thing is that the plans be fulfilled, carried out, implemented. I remember my former professor of constitutional law, Gabriel Amunátegui, when he used to say that the institutional strength of Chile in the 19th century was largely the product of the good sense of the Chilean people, who did not believe that simply because a constitution had been adopted and put into force, all the problems of the country's institutional and political organization were going to be miraculously solved. As all of you very well know, the determining factors in Chilean institutional stability were the creative ability and perseverance of Portales, the good sense of the subsequent governments, the influence of our intellectuals, the increasing maturity of the people. Thus the foundations of our democracy were laid. Had those factors not existed, it would have been impossible, even with the best constitution in the world, to have built up the institutional life of which we are today so justifiably proud.

There were countries that in the last century adopted splendid constitutions, which in a short while they replaced with others theoretically even more elegant, as if the mere change from one to the other would be sufficient to organize the civic life of the nation or to give consistency to its institutions. Similarly there are countries that today prepare elaborate programs which they publish in attractive booklets, filled with graphs and charts—often the product of the zealous and exhaustive work of competent and well-meaning technicians—and they believe that in this way they have provided the answers to the problem of their development. They forget that a plan, however perfect it may be, cannot produce the results expected of it or achieve the goals proposed in it, if the creative ability of the people, the mystique of work, the sense of common cause within the community, are not applied to the attainment of those goals and those results.

#### TOWARD A COMMON FINANCIAL MARKET

Up to this point, we have been analyzing what we might call the constants of Latin American financing, or in other words, general financial aspects which, while they certainly have different overtones in the various countries, still have basic common denominators. Now I shall refer—and I shall do it briefly, because I know that the technical problems of financing are less attractive than the general theses on integration—to the basic machinery that is needed for the financing of integrated regional development. To summarize, I might mention the four following points:

First, expansion of the Inter-American Bank's function as an integration bank.

Second, the establishment of a system for coordinating our monetary policies, which as I have ambitiously ventured to propose—



and not because I am an old central banker at heart—might be projected in the future toward the establishment of a hemispheric central banking system.

Third, the adoption and maintenance of common policies and practices that will make it possible to draw upon the great international currents of private investment.

Fourth and last, the projection of national development plans to the regional level.

Let us examine, at least from the more general standpoint, the operation and the role of the mechanism just enumerated.

#### THE INTER-AMERICAN DEVELOPMENT BANK AS AN INTEGRATION BANK

As far as the Inter-American Bank is concerned, we must remember that when it was established a little more than 3 years ago, the idea of integration was not yet regarded as the urgent and undelayable undertaking that it is judged to be today by the more discerning groups in Latin America. Thus, the Bank, while it was not, strictly speaking, created as an institution to meet the financial problems of integration, problems which at that time were barely glimmering on the horizon, has had to begin adapting its policy to these new demands.

Fortunately, the agreement establishing the Inter-American Development Bank allows this adaptability, because article I clearly assigns to the Bank the task of accelerating the development of the member countries, individually and collectively. On the basis of this provision, which puts upon the Bank the responsibility of contributing to the economic and social development of the countries, not just individually, but collectively, we are transforming the institution into an integration bank, without for a moment ceasing to be the development bank which the founders wished to establish, for, as I have said before, we believe that full development cannot come about in Latin America without the economic integration of the region.

At the risk of seeming immodest, I can truly say that the Inter-American Bank has already accomplished a great deal in this endeavor of encouraging the integration process. I might mention, for example, the direct stimulus we have provided in Central America through our assistance to the Central American Bank for Economic Integration, which was set up to promote the development of regional or economically complementary industries and projects. We likewise helped in the direct financing of certain multinational projects in other regions of Latin America. I have just come from the Republic of Uruguay where, with the assistance of one of our loans, work has been started on Route 26, which crosses Uruguay from one extreme to the other, from the border with Brazil to the border with Argentina, and which connects at the two borders with national highways of the two neighboring countries, thus constituting an international route that will facilitate trade and communication among the three countries, and which will make possible, first, economic complementation, and subsequently, economic integration.

And right here in Chile, only 4 days ago, I was present at a meeting in Valparaiso, where a proposal of the same sort was brought up. It concerns the construction of a modern highway to join the port of Valparaiso with the Argentine city of Mendoza. A mere glance at the map brings out the economic importance that such a route has for Valparaiso, and the benefits that such a highway could bring to the Cuyo region and the trans-Andean region. Naturally, these appraisals of the proposal will have to be confirmed by the technical experts, and in addition to the advantages that the respective provinces of the two countries might obtain, consideration will have to be given to the importance

of a route of that type as a means of facilitating trade within the free trade zone as it is now established, or within the common market which we should like to see established soon.

In addition to this kind of direct financing for projects connected with integration, our Bank also helps indirectly through its operating policies or the effects of its loans. I shall try to explain this by giving some examples.

When an application comes into the Bank from one of the member countries to establish, let us say, an iron and steel plant, the first thing our staff does is to make a study to ascertain not only whether the industry to be established signifies development within the country, but also whether, because similar plants exist in a neighboring country that would be capable also of supplying the applicant country, it might be more desirable for the latter to use the resources that the Bank might provide for some other industry of perhaps greater priority. Naturally, no such judgment can be imposed upon the countries, but our experience in this respect has been highly favorable. Generally, we have found great understanding of the fact that economic development is not really favored when similar industries are established in countries whose markets are small or where less favorable conditions prevail for the development of certain industries than those in other neighboring countries. Such investments would very soon have to be protected artificially, with protective tariffs or other similar measures. On the other hand, those same countries may very well offer ideal conditions for the establishment of other types of industry, toward which the investments should be encouraged.

With respect to the effects of our loans which indirectly play a catalytic role in integration, I can mention a very representative case. Some months ago, during a trip through Central America, I visited a housing project that was being built with funds provided by our Bank. It was a project of great importance to the city of San Salvador, because it involved the construction of more than a thousand homes, which, not to mention the social benefits to the future inhabitants of those homes, was making a great economic impact on all sectors concerned in the construction industry. It was being carried out by a group of very competent engineers, one of whom made a comment to me, the great significance of which I need not emphasize to you. "Just consider," he said, "if this project had been undertaken 5 or 6 years ago, we should certainly have had to import all of the basic materials from the United States. But today we are getting from other Central American countries whatever is not produced in El Salvador. For instance, we produce the cement ourselves but the sanitary equipment is made in Costa Rica and all the lumber comes from Honduras." This example graphically illustrates how our resources, lent to a specific country, are indirectly benefiting industries in other Latin American countries, thus opening the way for integration.

Beginning this year we shall be contributing from another angle to these efforts. At the meeting of our board of governors held last April in Caracas, we were instructed to begin a system of financing, somewhat on the experimental side, of intraregional exports of capital goods. We shall set up a fund, drawing at first on part of our own ordinary resources, to assist the Latin American countries that produce capital goods in the marketing of those goods in other countries of the area. They are unable to do this at present because they lack the financial assistance that producers of the same goods in other regions enjoy, which makes it possible for the latter to offer their products to Latin American importers on

better terms, not of product quality or price, but in regard to periods of repayment and interest on the loans.

Of course, the Bank would have preferred to create a new fund specifically designed for this new financing activity which it is now going to undertake. But appreciating the difficulties and limitations that would have been encountered in trying to get the necessary resources, I believe that in any event the step taken offers great possibilities. However, it must be emphasized that in using this mechanism for the promotion of exports of capital goods, the Bank will never lose sight of the fact that it is an investment bank, a development bank, and not a foreign-trade bank. Therefore, our action in this field will be in the nature of a supplement to the effort made in the first instance with national resources, and we shall never forget that this is not a question of financing transactions just because the transactions are there to be financed, but rather of assisting in the exportation of capital goods in those cases where the Latin American country that is to receive the exports has a genuine need for the goods concerned. The same applies to cases where the exporting country may be enabled to strengthen its economic structure and develop sound industries if it has the incentive of this system of export financing.

If we were to proceed otherwise, we should fall into the paradoxical situation of sponsoring exactly what we have so often criticized in certain suppliers' credits, who often require our countries to accept imports that are not the most desirable, but which they must accept or else do without the credit.

Finally, with reference to the impact of the Inter-American Bank's action on the process of integration, we shall mention only the technical assistance and promotion work we are doing in this field. In close harmony with the Latin American Free Trade Association and other agencies operating within the Inter-American system, we are attempting to coordinate efforts to make the best possible use of the technical resources of each agency in order to attain the common objective.

#### COORDINATION OF MONETARY POLICIES

Let us now consider the second mechanism we believe to be necessary in order to advance toward a common financial market. This concerns the coordination of the monetary policies in the region.

At this very time events are taking place that demonstrate the need for such coordination. Someone said to me last week in Uruguay, in connection with the criticism that had been voiced about that country for having adopted restrictions on imports, including those from countries of the Latin American Free Trade Association (the restrictions being the consequence of the unfavorable financial situation from which the country has been suffering): "We are being censured because of this reduction in imports, but there are other countries in the Latin American Free Trade Association which, although they have not adopted quantitative restrictions, have on the other hand altered the value of their currency. In that way, by indirect means, they are really obstructing our exports."

Here in Chile this remark was made to me: "If there is to be a genuine regional market, the reduction of customs tariffs is not enough; we need a common currency." This conclusion, expressed by businessmen who have reached it on the basis of their experience in foreign trade, is indisputable. To be able to trade, we must have a constant unit of currency because if, in the course of transactions, we are going to alter the value of that unit, sometimes for competitive reasons and, to put it frankly, without warning, in order to gain an advantage over another country, we will find it impossible to create a climate of mutual respect and confidence,

so necessary for the full development of trade within our region.

I believe, however, that there is no need for a common currency in the literal sense, in which all the coins would be the same and all the paper bills identical. What we need is what has been done in Europe: a monetary agreement under which the Common Market countries reciprocally respect the comparative terms of value that they have given to their currency. Thus, for example, when a few years ago the Federal Republic of Germany wanted to revalue its currency, as an expression of its prosperity, it did so in consultation with the other associated countries. And we might even say that not only did Germany do this in consultation, but that pressure was put on her by the Common Market members, in order not to accentuate the maladjustments that were already apparent between the situation of Germany and that of the rest.

We need a scheme of this type in Latin America. What form of institution should be adopted? It could be any one that would ensure the coordination of the various monetary policies, but in my judgment we should move toward the most ambitious plan; that is to say, the creation of a regional central bank, similar to that which Monet has proposed for Europe and which I believe is bound to come into being in the future, once the difficulties that at present stand in its way have been overcome.

Under such a plan not only would the coordination of monetary policies be sought, but at the same time international reserves would be built up. We must not forget that despite all its foreign trade difficulties, Latin America at this moment has available \$2.5 billion in reserves, and furthermore, these reserves are showing a tendency to increase. Nevertheless, as a rule every country in Latin America really has to run the gauntlet and submit to all kinds of conditions imposed from outside when, in order to handle momentary imbalances, it has to resort to stabilization loans of \$10 or \$15 million.

If Latin America were to make a single fund of its reserves, which would mean a volume as important as the reserve of the sterling area, our region would have an extraordinary negotiating power. We should perfectly well be able, too, to manage intra-regional imbalances among ourselves. And if at some time we should have difficulties and require additional resources for our common reserve fund, we would be able to negotiate lines of credit, or expand them, bringing the weight of the great mass of our operations to bear.

Therefore, I say firmly that it is not only because of outside attitudes unfavorable to our region that we have not found an adequate answer to our problems in this respect. I venture to say, rather, that the responsibility of finding that answer is essentially ours. Let us unite, let us integrate, and then in these and all other problems that afflict us today we shall be in a much better position to stand up for our interests, just as other regions of the world do.

#### COORDINATED ATTRACTION OF PRIVATE INVESTMENT

We have already pointed out the importance to be attached to private investment in the process of integration. It is imperative that Latin America standardize its policies for attracting such investments when they are required from abroad. To demonstrate the desirability of such coordination, it will be sufficient to describe what our present situation is.

What is happening today? Through the process of fragmentation that we have suffered historically during the last 150 years, we have accustomed ourselves to compete among ourselves. And we have projected that competition outward, often trying to present a better image of our own country,

to the detriment of the image of some other country or countries of our own region.

The same thing is happening with respect to foreign private investment. So far we have witnessed in Latin America a process of competition, in which each country attempts to offer better conditions to international capital, each struggling to solve its investment needs on its own account.

If, on the contrary, we were to decide to create a single set of rules for the foreign investor in this region; modern rules in which the incentives for encouraging the flow of capital would be reconciled with a system of mutual guarantees, by which the investor who placed his capital in any of our countries would have a hemispheric guarantee for his investment; if we were to achieve such coordination, we should certainly have made an unprecedented advance in our efforts to attract the external resources we so greatly need. And above all, by this multilateral approach, we should eliminate the friction that is inevitable in all financial relations of the bilateral type, wherein one country needs the resources and the other provides them.

#### FROM NATIONAL TO REGIONAL PLANS

I shall conclude this part of my paper by referring to the necessity of coordinating our various national development plans at the regional level. Today this no longer seems like heresy—which shows once again that despite all obstacles, we are advancing. Up to a few years ago, to speak of planning, even at the national level, was to lay oneself open to all manner of criticism. Today we hear and read frequent appeals for planning, or for the coordination of plans on a hemispheric scale.

However, I believe that in this process we must be very realistic and not pretend that theory will take us farther than the actual situation advises us to move. In this respect I should like to recall what has happened in Chile. Here in this auditorium there are two distinguished professors, colleagues of mine in the economics department, with whom I had the opportunity of teaching for many years. They will remember that one of our reasons for criticizing Chile's Corporación de Fomento, was that we felt it had failed to comply with the mandate of formulating a "general plan" for the development of production. Like the inexperienced persons we then were, we reproached the CORFO for not having complied with what we thought should have been its first obligation. As I look back now I can say that fortunately this agency did not try from the very start to prepare a national plan for the development of production, which in the best of cases might have been very well presented but which might have been only a masquerade of a plan. In 1939 or 1940, Chile was in no way equipped technically nor did it have the other prerequisites for development that were necessary to enable it to work out the plan which is now in force, 20 years later.

I believe that the wise and sensible course was the one that was followed, with that pragmatic judgment with which so many decisive problems in this country have been faced, almost always with competence. Development by sectors was started, with priorities for the basic ones.

A beginning was made with electric power and steel, and then, as experience was acquired, a realistic picture of the development plan, of possible goals that could be attained, of the actual amount of investment required, began to take shape. In short, CORFO kept its feet on the ground, reconciling aspirations with actual possibilities.

So, in my judgment, we must use the same pragmatic approach in Latin America. It would be ideal to be able to prepare and implement a regional development plan, or even to coordinate the plans of some countries

with those of others. But that can be achieved only step by step, with practical measures. We are already working in that direction at the Inter-American Bank.

A few months ago we inaugurated a program of technical assistance for industries that wished to plan their requirements and their perspectives at the hemispheric level. And to our great satisfaction, within a few weeks we received a request from the Latin American Iron and Steel Institute to provide it with funds that would enable it to make studies concerning the establishment of a sort of Latin American Iron and Steel Community.

I do not want to magnify the importance of this latter aspect, but I ask you to note that European integration was built up on a similar basis. Let us remember that the Treaty of Rome, concluded in 1956, stemmed basically from the plan of Monet and Schumann which some 6 or 7 years earlier had created—for reasons of European political balance and in large part through fear of a new rise of German militarism—that great economic community unifying the coal and steel industry, which is plainly the basic industry of Europe.

Naturally, we know Latin America does not have an iron and steel industry of comparable importance, but it is obvious that we must inevitably move toward its development, because as you well know, economic progress essentially involves sources of power and the use of steel. That is why all countries—including ours, of course—tend to have their own iron and steel industry, unfortunately in many cases in an artificial form. As I have noted directly in my travels, there are iron and steel plants in Latin America that are not functioning, either because production costs have turned out to be too high, or because the industry was not properly planned. Therefore, it is highly necessary to encourage or sponsor the idea of coordinating the various national development plans at a regional level and, if possible, to attain a sound expansion of the iron and steel production of the region as a whole, making optimum use of the heavy investments that such development requires.

This is not the only example. In the matter of sea and air transport we have what is perhaps an even clearer proof of the necessity of combining our efforts. All of us can note as we travel around our hemisphere how every country wants to extend its own airlines or its own merchant marine beyond its own borders. This is the reflection of a nationalism, easy enough to explain, that has been part of our recent historic development. Unfortunately, the individual effort of each country is insufficient to build up those air or maritime enterprises enough to make them count to any appreciable extent in the broad international field of transportation.

Other nations, showing more practical sense, have followed a different course and have prospered in this field; the Scandinavian countries, for example. Up to a few years ago, Norway, Sweden, and Denmark each had its own airlines, until the time came when they suddenly noticed what was obvious: that by integrating into one large regional company they would have much greater prospects of competing with the powerful international companies. Today SAS, the company established in common by the Scandinavian countries, occupies a distinguished place in the field of world air transport, with much greater profits for Sweden, Norway, and Denmark than they would ever have been able to obtain had they continued, each with its own resources, to support their isolated national airlines. It seems to me that this is a field that the countries of Latin America ought also to explore. However, we must not be satisfied with only a study, as has happened before; decisions must be taken that will make it possible for a great Latin American airline



to occupy the central counters of the airports, instead of the secondary places where the offices of the various airlines of our countries are at present scattered.

Latin America sends hundreds of millions of dollars out of the hemisphere to pay for the services of foreign merchant ships. I am convinced that the day the countries of Latin America decide firmly to negotiate among themselves the possibility of common action in this field, as occurred, in part, with the negotiations that led to the Gran Colombiana fleet—we shall be helping to strengthen our region in a sector of the greatest importance to us.

Other examples could be mentioned, but I believe that those offered are enough to give a clear idea of the situation. In order to arrive at the regional planning stage in Latin America, we can begin by coordinating sectors in certain industries and activities where such coordination is immediately feasible. Thus we shall begin to advance, and at the same time we shall be laying a solid foundation for the Latin American integration of the future.

#### TOWARD POLITICAL INTEGRATION

Judging by the close attention with which you have been following these ideas, I get the impression that you are in agreement with them and that they seem logical and sensible to you. But I am sure that these questions have come into your minds: How are we going to accomplish this? What steps must we take? How can we set in motion all those things that the new study groups and the new technical reports recommend?

All of us, the technicians as well, are asking ourselves the same questions. In reply I venture the idea that, along with our work in the direction of economic integration, we must begin to think of the necessity of advancing toward political integration.

This may seem risky or ambitious. But if we look at things realistically, it is evident that we are not going to be able to coordinate monetary policies, or adopt common standards to attract investment, or establish regional merchant fleets, if we do not bring ourselves into accord politically. That is why, with all due respect for the technicians, I believe the time has come for action at the political level; that is, by those who have the supreme responsibility of legally representing our people and their hopes for real progress.

I have also taken the liberty of voicing the idea of Latin American assembly or parliament, in which the agreements signed by our countries at regional conferences could be ratified multilaterally. Because, my friends, Latin America is plagued with unratified agreements, agreements negotiated by the technical experts, who take them back to their countries to obtain legislative ratification that does not always come.

Of course, the Latin American parliament that I am imagining must reflect a genuine expression of public opinion; that is to say, it must be representative not only of the political sectors that govern the countries but also of the diverse dynamic forces that exist within each national community. Such a deliberative body might even serve as a model whose mere presence and example could influence those countries of our hemisphere where true democracy does not yet prevail. It would be a clear practical demonstration of what a truly representative system should be, for within it the various doctrinal trends—call them right, center, left, or however you want to distinguish them—would alternate. Such is the case in the European parliament of Strasbourg, which so greatly has influenced the political course by which the Old Continent is opening its way toward the future and which, furthermore, makes it possible

to bring into the open the predominant trends of each country, thus preventing the breeding of antagonisms because of the lack of discussion or knowledge of the various ideas and possible discrepancies.

That parliament is perhaps one of the major factors in the achievement of the present political solidarity among the countries of the European Community.

I know that many people will say that this type of political integration is possible in Europe because of its greater cultural, economic, and technical development and its experience more recently acquired in two frightful wars. But we can reply that if European integration has been accomplished in spite of the 30 million victims sacrificed on the battlefields and in spite of the ancestral hatreds that long divided the now integrated nations, we have no reason to magnify our own differences. On the contrary, among our countries there are historic bonds of solidarity more powerful than any motives for disagreement. But let us not consider Europe alone; let us pause a moment and see what is happening in other regions which certainly have not reached the degree of development found there. We might mention India, for example. When the subcontinent became independent, it luckily had the political talent of a Gandhi and a Nehru, who accomplished the miracle of holding together a community of 400 million people, conciliating the local interests of the various groups that comprise it, whose diversity can be succinctly indicated by the mere fact that they speak 80 or 90 different languages and dialects.

What would India's fate have been if the small provincial interests had prevailed? It can easily be imagined. To emerge from its underdevelopment India must overcome many staggering problems, all of them infinitely more complex and more difficult to solve than those that preoccupy us in Latin America. Beyond a doubt there are more ethnic, religious, social, economic, language, and other such differences among the states of India than among the countries of Latin America. The task of development for India is of course extremely difficult. But obviously it would have been far worse if, instead of being integrated, the country had been broken up into dozens of independent states.

Let us look also at Indonesia, that new state, spread out over 3,000 islands, with many tongues and races, lacking the preliminary requirements for development, and with only a few technicians when it came to independent life. However, Indonesia did have the necessary political leadership, and it was able to establish a community of 100 million people which today, despite the immediate serious financial and economic problems, is undeniably taking its place in the world scene.

Then there is the Arab world which—whether or not we like the method by which it chooses to work for reunification—is a reality that is making itself felt more and more on the world map. For despite the difficulties that we read about in the newspapers every day, the Arab nation—or rather, the group of nations that form it—is advancing toward integration, and plainly the Middle East is coming to the fore as a new focal center of growing importance in the scheme of forces now existing in the world.

And now, Africa. Right before our eyes, day by day, we can see the emergence and consolidation of pan-Africanism. We all know that there is no single Africa but rather hundreds of peoples, who do not even have the apparent racial unity that people commonly think they have, but on the contrary represent the coexistence of widely diversified forms of political, economic, and social organization.

A few days ago representatives of all the autonomous countries of the African Con-

tinents met in Addis Ababa, capital of Ethiopia. The majority of those states have just come into being, and therefore they might have clung to a strictly introverted kind of nationalism. But instead, the new African states have embarked vigorously on a plan for integration. They are setting up regional organizations of a political type, much more advanced than ours. The thing is that despite the underdevelopment with which almost all of them are afflicted, they have leaders who are availing themselves of the experience of others in order to move forward rapidly and avoid errors.

We have evidence of this process at the Inter-American Bank. A year ago a mission of several African bankers came to our headquarters in Washington and asked us to permit them to observe how our institution operated, because the African countries wished to establish a regional bank similar to ours. Naturally we were pleased to open our doors to them and to offer them the benefits of our experience, as part of our mission of projecting the Latin American image into other latitudes. Later we sent officials to Africa who renewed this stimulating contact. Today the bases for the Pan African Bank have been established, and so likewise the bases of the African common market, the political organs of consultation, and finally, a series of economic and technical mechanisms that will all work toward integration. In other words, in these few years Africa has not only profited by the experiences of our own bloc but is taking much more far-reaching steps. And all of this has come about, I repeat, despite their differences of structure, tradition, mentality, culture, language, beliefs, and race; differences which, by contrast, make our countries seem more than ever a single nation.

#### THE PLURALISM OF THE WORLD TODAY

These processes of integration or reunification of great regional blocs should not be surprising to anyone who follows the course of world events. It is evident that the world is moving toward what we might call pluralism of the international type.

It cannot be said today that the world gravitates only between two points, Washington and Moscow. In the socialist world, Peiping now makes its own weight felt; and Belgrade offers another alternative, with obvious influence in its sphere.

In the field of the Western democracies, Old Europe is steadily recovering its historical stature. In the Middle East, Cairo is beginning to show an entirely new look. We have already witnessed how Africa in Addis Ababa today, in some other capital tomorrow—is also standing up on its own two feet.

I ask myself, my friends, where is Latin America? What picture do we present of ourselves as a hemisphere with a voice, with a destiny, with a call to progress?

Therefore, I emphasize the urgency of Latin American political integration. And I believe, Mr. President and my esteemed friends, that Chile has a very important part to play in this task. Let us remember that despite the poverty in which it began its independent life, Chile made bold to project its message in the direction of other Latin American countries. True, the projection was not so clearly drawn as the 19th century advanced. But in the 20th century, happily—and it is sufficient to look at this country's foreign policy in recent years, under various administrations—Chile has again found its great Americanist projection, that feeling for integration that was quiescent in the thinking of Bello, Montt, and other great statesmen, who always held in their minds and hearts the idea of and attachment to association with the other American countries.

Chile must continue to advance along this path, as it has been doing at inter-American meetings in recent years, where it has consistently introduced or supported proposals

of Americanist scope. I believe that not only are those thoughts present in the minds of our political leaders, in the concern of our technicians and our businessmen, but that they also form part of the very sentiments of the Chilean people. They are present also in the universal voice of our poets, and of these there is no better voice than that of the great woman whose love for her land and its people reached out to all the confines of this America of ours. This America, which Gabriela Mistral loved with the same tender affection she bestowed upon her own beautiful and cherished land, of which she wrote, while in Europe, in 1930:

"Born under the sign of poverty, with few resources and a meager population, the nation understood that it had to be frugal, hard working in full measure, and peaceful in its civil life. If one were to give descriptive names to our countries, one might say: Brazil, or horn of plenty; Argentina, or universal fellowship; Chile, or the will to be. This stubborn will to exist has sometimes had an aspect of violence, and to some it appears out of proportion for 5 million people. But I, having no shred of Nietzscheanism, I like to think of it, to keep watch over it, and to stir up its guarded embers, because the southern continent may one day have need of that will, and it might both serve and save at some critical moment of continental solidarity. Countries that radiate little energy or feeling for mankind, countries that are not dynamic, are small, no matter how large they may be; small, very small countries that breathe outward in great spheres of influence grow steadily larger and may even reach the infinite. Their depths cannot be sounded, no one knows how far they reach, because their potentials are the same as the potentials of the individual soul; that is, they are immeasurable."

Thank you very much.

#### ENERGETIC EFFORTS TO STIMULATE COAL EXPORTS REQUIRE ASSISTANCE OF TRANSPORT AND TOLL COST CUTS

Mr. RANDOLPH. Mr. President, the productivity and the prosperity of the coal industry is so important to the economy of West Virginia and several other States—especially in the Appalachian region—that we are stimulated to express gratification for the efforts of Government and the industry to increase coal's markets abroad. But these efforts need the assistance of transportation cost cuts and reductions in Panama Canal tolls.

In West Virginia, although Statewide unemployment has dropped from a level of about 12.5 percent in 1961 to 7.5 percent at this time, the jobless rates in the coal producing counties, especially in the southern part of the State, remain inordinately high.

In spite of more outmigration from the labor force in some West Virginia communities than from most others of the State, here are a sampling of the prevailing unemployment figures for the predominantly coal economy counties: Fayette, approximately 16.1 percent; McDowell, near 15 percent; Logan and Boone, close to 14.7 percent; Raleigh, about 10.7 percent; and Mercer, slightly over 10 percent.

It is apparent, therefore, that increased coal production and carloadings of the high-grade metallurgical and steam coals of the area are needed to

stimulate reduction of the unemployment rate.

Gov. W. W. Barron, of West Virginia, during earlier trade mission visits to Japan and later this year to Europe, emphasized the quality, the availability, and the stability of the mine-mouth price of the State's bituminous coal.

Under the energetic leadership of Hon. John M. Kelly, Assistant Secretary of the Interior for Mineral Resources, various ways in which the Nation's coal industry could increase its sales to foreign markets have been studied. They were discussed by spokesmen for industry and Government at a mid-September Washington conference sponsored by the Department of the Interior.

Assistant Secretary Kelly has pointed out that, during the past decade, energy consumption in America's principal foreign coal markets—Western Europe, Canada, and Japan—increased 25, 45, and 115 percent, respectively. He said that recent information on trends abroad indicates that "a tremendous additional market is emerging—enough to absorb U.S. exports of up to 125 million tons of coal by 1970."

But he emphasized:

The great potentials for our metallurgical and steam coals will not be realized automatically; a substantial share of the growing energy market will be captured only if we are willing to work for it.

The Department of the Interior is convinced that with abundant reserves of coal available to meet virtually any requirements, and a demonstrated ability to keep costs remarkably stable, the domestic coal industry has opportunities for significant increases in coal sales throughout the world. The industry's strengths are reinforced by already apparent means for increasing efficiencies in coal mining and preparation, by railroad and port facilities that could easily handle much larger exports, and by new and more economical transportation concepts now emerging.

The gains already made in some of these areas have given U.S. coals economic advantages over indigenous coals in many of the world's important markets.

With so many important factors in our favor—

He said—

a substantial expansion of our foreign coal markets in a relatively short time can be assured by the determined action and cooperation of industry and Government.

Officials of the larger coal producers and exporters—especially those of Consolidation Coal Co., Eastern Gas & Fuel Associates, and Island Creek and Valley Camp Coal Cos.—have been active abroad throughout the year, particularly in Japan.

George H. Love, chairman of the board and J. W. Kepler, administrative sales vice president of Consolidation Coal Co.; were in Japan the second week of September to talk with steel company officials and to examine at close range the potential market for U.S. coals.

In commenting, Mr. Love said:

We were tremendously impressed by Japan's growing economy and the determination of their leaders to increase Japan's share of the world market. Their optimistic plans for the expansion of their steel industry seem to have the real probability of success if we are to judge by the progress made so far. If coal from the United States is to share in the growth of steel, as we certainly hope it will,

it must remain competitive. We came away convinced by their sincerity that everything possible must be done to further reduce the delivered cost of coal in Japan. Opportunity to effect additional reductions lies primarily in transportation charges and we in Consol intend to do all we can to help the Japanese achieve such reductions and thus strengthen U.S. coal's position in the export market.

Executives of Eastern Gas & Fuel Associates, the operations of which last year produced and exported 3 million tons of coal—a million tons of that amount to Japan from its West Virginia mines, spent several weeks in that country last spring. Now, we are informed by the press, the Eastern Gas & Fuel group, again headed by Eli Goldston, president of the parent firm, and William B. Ross, president of a principal subsidiary, are embarking on a worldwide tour to study how to increase the sale of American coal abroad. This is a further gratifying manifestation of aggressive market research and salesmanship.

Concerning this trip and coal markets abroad in their relationship to the West Virginia and national economies, Mr. Ross is reported to have said:

The possibility of increased tonnage abroad will not only aid the industry and West Virginia, it is an extremely important factor in a better export-import balance for the Nation. The entire coal industry has been gratified by the administration's vigorous action in offering practical high level assistance to stimulate coal exports.

As was pointed out earlier in remarks attributed to Assistant Secretary of the Interior Kelly, coal sales to European markets increased by 25 percent during the past decade—those to Japan at a sensational rate of 115 percent. Japan, although far away, is today second only to Canada as the best foreign customer of our domestic coal.

It is reported that nearly 500,000 man-days of work in U.S. bituminous coal mines were required to produce the coal exported to Japan in 1962. Directly and indirectly, these shipments are declared to have been responsible for more than 7,200 jobs—approximately 2,300 of them in the mines. We are grateful in West Virginia for the part these exports contributed to our much-needed employment and economic stimulation.

We are aware of the hazardousness of the occupation of coal mining. We share with Japan the sorrow visited on so many of its families and its government by the very recent and tragic coal mine disaster. No less tragic, of course, and likewise a reason for our extending sympathy to the Japanese people and government, was the catastrophic train wreck on the same fateful day as the coal mine explosion.

Many of our citizens' lives have been lost in their pursuit of mining and transporting coal. Many more are subjecting themselves to jeopardy daily in the production of coal both for the domestic and foreign markets. They deserve our respect and our admiration, as well as our dedicated efforts to help improve the safety of their places of labor. They likewise deserve the aggressive efforts which are being made to preserve existing markets and to find new ones.



Mr. President, the United States-Japan Trade Council declares that if the United States succeeds in maintaining its present share of the Japanese markets for coal, this country can expect to have an annual 16-million-ton trade with Japan by 1970.

We certainly should strive mightily to share in such a market participation and growth, but it becomes more obvious as time and competition march on that we must reduce the delivered price of coal at the points of destination in Japan. We must especially seek to reduce Panama Canal tolls if we are to succeed in attaining a 16-million-ton trade with Japan or anything close to that order of magnitude.

In a recent communication to the Honorable Frederick G. Dutton, Assistant Secretary of State for Congressional Relations, I wrote that coal mined in West Virginia and exported to Japan is a subject of vital concern to West Virginians. I added that there are disturbing indications that shipping costs, including Panama Canal tolls, are disadvantages which must be overcome if our markets in Japan are not to be taken over by Australian, Canadian, Communist Chinese, or Soviet Union suppliers.

I requested a copy of a report prepared by the U.S. Embassy staff in Tokyo, discussing problems of Japanese imports of coking coal from the United States.

In transmitting a copy of the report, Assistant Secretary Dutton made this important observation:

In looking into the question of possible steps to facilitate coal exports to Japan, the Department [of State] has learned from a Panama Canal official in Washington that the average toll per ton of coal is considerably less than the amount (about \$1) mentioned in the attached report. Ships transiting the canal are charged on the basis of 90 cents per measurement ton. However, coal ships carry on the average a much larger amount of coal than indicated by the theoretical measurement tonnage capacity. As a result, the average toll per ton of coal actually carried was 44½ cents in fiscal 1962, according to Panama Canal calculations.

With the admonition that references in the report to Panama Canal tolls be evaluated with Assistant Secretary Dutton's note of explanation in mind, I ask unanimous consent, Mr. President, that portions of a July 19, 1963, report by the American Embassy in Tokyo to the Department of State, subject: "Prospects for U.S. Coking Coal Exports to Japan," be printed in the RECORD following my remarks.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

#### PROSPECTS FOR U.S. COKING COAL EXPORTS TO JAPAN

##### INTRODUCTION AND SUMMARY

Coking coal is one of the principal Japanese imports from the United States. In 1962, the steel and gas producing industry imported 5.3 million metric tons valued at approximately \$110 million, c.i.f. Japan from the United States. However, while imports of coking coal from the United States have been rising over the past 5 years, the proportion of the total imported from the United States has been falling. In 1958, imports from the United States were 79.6 percent of the total and this proportion fell to 55.9 percent in 1962.

Over the past 5 years, Australia has enjoyed the greatest increase in exports of coking coal to Japan, rising from 7 percent of the total in 1958 to 27 percent in 1962. Imports from Canada have also shown significant increases.

Japanese steel industry and trading company representatives visited the United States in January and February 1963 and negotiated price reductions with U.S. coal producers and also held discussions with railroad and U.S. Government officials in efforts to obtain reductions in U.S. inland freight and Panama Canal toll charges with apparently little immediate success.

Officials of the Eastern Gas & Fuel Associates of Boston, one of the largest exporters of U.S. coking coal to Japan, visited Japan for several weeks in May and June 1963 to discuss sales prospects with the Japanese steel industry and the Embassy. The Embassy arranged a discussion at which some of the major problems involved were aired. The steel industry representatives made clear at this and subsequent discussions that further reductions in the landed price of U.S. coking coal were necessary if the U.S. industry is to remain competitive with some of its rivals. The principal rivals are the Australians and Canadians who offer medium volatile coal at attractive enough prices to induce the Japanese industry to develop technology permitting greater substitution of coals from these countries for the admittedly higher quality (but higher priced even when quality differences are discounted) U.S. coal. The U.S.S.R. is a direct competitor with the United States in that it has been selling low volatile coking coal approximately matching the U.S. coal in quality at considerably lower prices.

The Eastern Fuel representatives noted that they had reduced their prices to the minimum and that any further reductions would have to be achieved by reductions in transportation charges. They felt that negotiations with the railroads were proceeding satisfactorily and that some reductions in freight rates might be achieved. They, and the Japanese steel industry representatives, asked that the U.S. Government also cooperate in this effort by examining the possibility of reducing Panama Canal charges.

In further discussions with representatives of the steel industry in July, the Embassy was told that with present price trends, long-range prospects for the U.S. coking coals are distinctly unfavorable. The industry sources stated that there will always be a market for U.S. coals because of their high quality and the fact that the United States is a dependable source of supply. However, the U.S. coal industry faces the prospect of losing out completely on the growth of the metallurgical coal market in Japan as increasing substitutions for high quality coals are made and the Japanese industry cautiously increases its imports of high quality coal from the U.S.S.R.

##### BACKGROUND

Coking coal imported from the United States has in the past been of both medium and low volatile types. Within recent years, the U.S. producers lost out on much of the growing market for medium volatile coal in Japan to Australia primarily because of price. Australian coal, according to data made available to the Embassy by the Japanese steel industry, is currently priced at between \$13.10 and \$13.76 per metric ton, cost and freight, Japan. Price quotations on similar U.S. coal of medium volatility given the Embassy range between \$16.65 and \$17.35 per metric ton, cost and freight, Japan. The Canadians have been marketing a medium volatile coal at \$15.54 per metric ton, cost and freight, Japan, this year, but a recent sale of 100,000 metric tons was made at \$13.50 and the Canadian supplier reportedly

indicated that this price could be met on future deliveries as well.

The low price Australian and Canadian medium volatile coals are not only cutting into the sales of U.S. coal of similar quality but encourage the Japanese to find ways of substituting these coals for U.S. low volatile coal which sell for \$13.50 per metric ton, cost and freight, Japan, currently.

An additional consideration is the low price of Soviet Kuznetsky "K-10" low volatile coal which is currently being sold at the cost and freight price of \$14.75.

The Embassy understands that this coal is mined in the Urals, must travel about 4,000 miles by railroad to a Pacific port and is quoted f.o.b. Soviet port at \$11.95 per metric ton which would seem to be hardly enough to cover the cost of inland freight alone. One steel company executive categorized the Soviet prices as "political" and said the Japanese industry recognizes that it cannot consider this source of supply as dependable. Nonetheless, the industry believes it can increase its dependence on this source somewhat over the present level (a little less than 10 percent of metallurgical coal imports).

#### STEEL INDUSTRY COAL MISSION VISIT TO THE UNITED STATES

In January and February 1963 the heads of the raw materials purchasing departments of four leading Japanese steel companies visited the United States in the company of several trading company representatives primarily to discuss price reductions with U.S. coal exporters. They also talked with the Norfolk & Western and Chesapeake & Ohio Railroads and visited Washington in the company of Stephen F. Dunn, president of the National Coal Association, and Mr. W. B. Ross, senior vice president of Eastern Gas & Fuel Association. The four Japanese steel industry officials present were Mr. T. Wagatsuma, director and manager of purchase department, Yawata Iron & Steel Co.; Mr. S. Tanabe, manager of raw materials department, Fuji Iron & Steel Co.; Mr. O. Murata, manager of raw materials department, Nippon Steel Tube Co. (Nippon Kokan); and Mr. H. Shio, manager of raw materials department, Kawasaki Steel Co.

The Japanese steel industry representative reportedly emphasized the necessity for obtaining reductions in Panama Canal rates in order to maintain the competitiveness of U.S. coal in the Japanese market.

The results of the trip to the United States were a reduction in the price of coal from at least some of the U.S. exporters, some progress in obtaining serious consideration by the U.S. railroads to reduce freight rates to tidewater, but (according to the Japanese steel executives) little hope in obtaining changes in Panama Canal rates. On the contrary, they understand that canal tolls may soon be revised upward.

#### EASTERN GAS AND FUEL ASSOCIATES VISIT TO JAPAN

For several weeks in late May and early June, Mr. Eli Goldston, president, and Mr. William B. Ross, senior vice president of Eastern Gas & Fuel Associates of Boston, visited Japan to discuss coal exporting problems with the Japanese steel industry. They visited the Embassy several times and explained the problems they were having in maintaining and increasing their sales in the Japanese market. They noted that Eastern now sells approximately 1 million tons of coal to Japan and that it is considering the opening of a new mine in West Virginia at an investment of about \$9 million which is expected to be able to produce about 1 million tons annually. In order to make the new mine a paying proposition, Eastern believes it must have reasonable assurances of being able to export about half of the mine's output to Japan. They are consequently looking for new long-term contracts with

Japanese consumers for 400,000 tons annually.

The Eastern executives observed that their plans correspond with two important U.S. Government objectives: (1) the export promotion program and (2) the program to economically rehabilitate West Virginia. They expressed the hope therefore that the U.S. Government would provide assistance to Eastern's efforts in those areas where the Government can properly do so. They felt there were two ways in which this could be done. In the first place, the Embassy could be of assistance in holding a conference with the Japanese steel industry representatives who had visited the United States several months earlier with the objective of giving their case a sympathetic hearing and, most importantly, providing by this action a symbolic indication of the interest of the U.S. Government in promoting this important export to Japan.

The second area in which the Eastern executives felt the U.S. Government could properly be of assistance is to give serious consideration to the possibilities of reducing the Panama Canal toll charges which currently amount to about \$1 per ton of coal moving through the canal. They noted that canal charges are based solely on weight which unfairly discriminates against bulk cargoes. They thought that if the matter were given serious study, bearing in mind the advantages that could accrue to the United States and the canal authorities through the potential increase in bulk cargo movements to Japan following toll reductions, a solution might be found.

#### EMBASSY CONFERENCE WITH JAPANESE STEEL EXECUTIVES

On June 4, 1963, the economic counselor hosted a meeting with the four steel company executives who had visited the United States earlier in the year. Present were the two Eastern executives, the Deputy Chief of Mission, the Commercial Attaché and the reporting officer. The discussion was very frank and centered on the competitiveness of Soviet K-10 coal with the U.S. product. The steel executives agreed with the contention of the Eastern representatives that they could not reasonably expect further significant reductions in the price of coal from the U.S. producers. They felt, however, that the railroads should cut their inland freight rates and observed that inland freight rates from mine to tidewater for coal destined to U.S. east coast markets are considerably lower than those for coal destined abroad. They mentioned the Panama Canal toll problem but felt that this was one of primary concern to the United States.

Embassy representatives questioned the value of canal toll reductions since, in total cost and freight price of coal landed in Japan, these rates amount to only \$1 approximately of the \$18.50 total price. The Japanese steel representatives replied that they did not expect, even with the most sincere effort on the U.S. part, to achieve reductions in the cost and freight price of coal down to the level in which it would be directly competitive with Soviet coal. They felt strongly, however, that the U.S. side must bring the price down to a level somewhat closer to the Soviet political price if they were to be able to continue to justify buying U.S. coal in the future. By implication, they indicated that even a small reduction in the Panama Canal rates would be helpful in this regard.

In discussing the possibilities of increasing imports of Soviet coal, the steel executives made clear that they understood the dangers of becoming overdependent on that source. It was for that reason, as well as the traditional friendliness toward the United States, that they will continue to buy U.S. coal even though it is several dollars higher in price than Soviet coal of similar quality.

#### EMBASSY COMMENT

Neither the Japanese steel executives nor the Eastern representatives indicated that U.S. coking coal exports to Japan are likely to be reduced significantly in absolute terms as the result of more attractive alternative offers being received from other sources. Steel industry representatives have on a number of occasions told the Embassy that they value the dependable source of supply of this commodity provided by the United States. We believe, however, that the U.S. coal industry does run the risk of losing out of its share in the market growth for imported coking coals in Japan.

The Japanese steel industry hopes to achieve a production of 48 million tons of crude steel by 1970 and will, therefore, require ever-increasing quantities of imported coking coals. (Domestic production is limited and mostly of fairly poor quality.) Imports of coking coal in 1962 amounted to about 9.6 million tons. These are expected to rise to almost 15 million tons by 1970. In the meanwhile, over the past several years, imports of U.S. coking coal appear to have plateaued out at slightly over 5 million tons. While changes in technology which require lesser amounts of high quality coals for blast furnace charging may be responsible for part of the relative reduction in demand for U.S. coking coals, more attractive (in terms of price) alternative opportunities for importing coal have probably played an important role in the development of these processes which require less of the U.S. coals.

While it is not likely that Soviet low volatile coking coal would ever completely replace U.S. coal in the Japanese market, the price advantage offered by the Soviets increases the possibility that the Japanese steel industry will give the Soviets a greater share of its increased demand than might be the case if the price differential were not so great. One steel company executive thought that the industry may be willing to increase its imports of Soviet and Communist China coking coal from the present 11.5 percent of total metallurgical coal imports to 20 percent in the near future.

While the Japanese industry representatives have talked much of the direct competition between Soviet and U.S. coal, the indirect competition with medium volatile Australian and Canadian coal is at least as important. The Japanese have become accustomed to using U.S. coking coal and find generally that it mixes best with the lower quality Japanese varieties. They are reluctant to shift to other varieties of coal but have been doing so to an increasing extent over the past several years because of the price advantages offered by these alternative sources.

Direct price comparisons are difficult to make since even among coals which are generally similar, differences in ash, sulfur and volatile matter can have considerable significance. Japanese industry sources have been reluctant to discuss the price reductions required to make U.S. coal more competitive with similar varieties elsewhere but one trading company representative stated that U.S. coals, depending on variety, can be priced from 5 to 20 percent above Canadian and Australian coals and still be competitive. The head of the raw materials purchasing department of a major steel company said it was his personal opinion that a reduction of \$1 to \$2 per ton in the landed price of U.S. coal should be adequate to maintain competitive status.

#### OPEN SPACES LAND GRANTS IN NATIONAL CAPITAL AREA

Mr. BREWSTER. Mr. President, it is my understanding that the Independent

Offices Subcommittee of the Senate Appropriations Committee has reported language on open spaces land grants which would continue the eligibility for grants under this program to Maryland and Virginia communities contiguous with the District of Columbia. These areas had been singled out by the House committee as no longer eligible for assistance because they had already received substantial grants under this program.

In the statement which I made before the Senate subcommittee, I rejected completely the idea that the National Capital area should be penalized because of its ability to qualify quickly for Federal assistance, and to expend substantial sums of its own money for open space lands. I urged the subcommittee to take action to set aside the direction contained in the House committee report.

If allowed to stand, the language of the House committee report would have had a most serious and unfortunate effect not only on Montgomery and Prince Georges Counties in Maryland, but also on the entire National Capital area.

I am pleased that the report of the Senate committee specifically bars the unfair and discriminatory exclusion of a significant geographic area from a law meant to apply equally throughout the country.

The area between Washington and Baltimore is one of the fastest growing regions of the country. The urban population in Montgomery County increased 136 percent between 1950 and 1960. In Prince Georges County, the increase was 112 percent. Clearly this increase in population results in many thousands of acres of once open space land being lost to homes, streets, shopping centers, and parking lots. I am proud to say that the Maryland counties in the National Capital area have been foresighted in providing the necessary local funds to match Federal contributions, thereby acquiring fast disappearing undeveloped land for urgently needed park, conservation, and historic purposes.

I urge all communities to take advantage of this important program, and ask unanimous consent that the article by Ernest Baugh appearing in the Monday edition of the Baltimore Sun be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### WASHINGTON AND BALTIMORE: PATUXENT GREENBELT AS BUFFER

The Maryland State government, through a 1961 act of the general assembly, is committed to the development of an open strip or greenbelt along the Patuxent River from Frederick County to tidewater. So, too, are the counties bordering the river: Anne Arundel, Calvert, Charles, Howard, Montgomery, Prince Georges, and St. Marys.

The reasons for that commitment are increasingly urgent. The Baltimore and Washington metropolitan areas are expanding rapidly and threaten to merge into each other. Planning experts are in agreement that the areas should be kept separated for the good of each and that the place for division is the Patuxent, a natural open-space separator and reserve.



The preamble of the 1961 act is quite specific. It reads in part:

"The legislature finds that the Patuxent River and the land bordering thereon constitute some of Maryland's most scenic natural or esthetic assets, and that rapid growth and spread of urban development is encroaching upon or eliminating many of these bordering lands.

"It is the intent of the legislature to provide means whereby the State department of forests and parks with [the seven counties] may cooperatively provide for the protection of the said Patuxent River and for the acquisition and use of the lands bordering thereon, so that the harmful effects of flooding, silting and erosion by the expansion of urban development may be discontinued or eliminated.

"The legislature declares that it is necessary \* \* \* to expend or advance public funds for, or to accept by, purchase, gift, grant, bequest, devise or lease, the fee or any lesser interest or right in real property to acquire, maintain, improve, protect or limit the future use of lands bordering on, and within, the Patuxent River watershed."

The State's general improvement loan of 1961 carried an appropriation of \$150,000 for the purchase by the State of property along the Patuxent or for contributions toward such purchases by the participating counties. The general improvement loan of 1963 carried two similar appropriations amounting to \$500,000. Several of the counties either have money available for land acquisitions or are taking steps toward that end.

But to be realistic, the money on hand or in sight is insufficient. Development of the envisioned greenbelt is a big undertaking, involving as much as 40,000 acres of land and maybe more. Because of the lack of sufficient money in sight, there is no timetable for the fulfillment of the project.

However, there is, as noted, the statutory commitment by the State and the seven counties and there are signs that progress is accelerating. The most promising sign was last week's approval of a general Montgomery-Prince Georges plan to acquire 18,000 acres of land, all of it, of course, within the boundaries of those two counties or, to put it another way, only on the Washington side of the river.

The major portion of that tract (16,000 acres) would be in Prince Georges County and would be in a continuous strip running downriver from Laurel to almost the Charles County line. The 2,000 acres in Montgomery County would be along streams tributary to the Patuxent, primarily the Hawlings.

Another promising sign of accelerated progress also came last week when the Senate Independent Offices Subcommittee wrote into the \$15 million Federal open-spaces bill a provision making Maryland, the District of Columbia and Virginia eligible for grants under the measure. A bar against eligibility for the three jurisdictions had been raised in the House on the ground that they had been given more than their share of open-space money under a current appropriation. If the House accepts the Senate action, Federal money for the Patuxent project will be available.

Unfortunately, the State has been moving slowly with its share in the greenbelt development. It is supposed to buy a total of about 8,500 acres, including a large tract along the upper reaches of the river above the Triadelphia Reservoir, a smaller tract between that reservoir's dam and the Rocky Gorge Reservoir and a relatively narrow strip to carry the greenbelt through the Laurel area. State work to date has involved surveying in the main.

To refer to the two reservoirs is to refer to the one really bright spot in the whole

greenbelt plan. The reservoirs are the base of the water supply system for Montgomery and Prince Georges Counties and are under the Washington Suburban Sanitary Commission. About 5,700 acres of open land surrounding the reservoirs are owned by the counties and so are within the public domain and reserved for greenery.

Howard County is just beginning to tackle its share in the big project. Anne Arundel County is lagging. The southern Maryland counties below Anne Arundel and Prince Georges seem to be doing nothing. All of which suggests that the foresighted and active Montgomery and Prince Georges Counties can't do the job by themselves. If we are to have that highly desirable greenbelt to prevent Baltimore and Washington from colliding, there will have to be early determinations at the State House and county courthouse levels.

#### CONVERSION OF WAR INDUSTRY TO PEACE—RESOLUTION

Mr. McGOVERN. Mr. President, the Industrial Union Department of the AFL-CIO has sponsored a resolution calling for the conversion of the nuclear industry to constructive peaceful purposes. I ask unanimous consent that the resolution be printed at this point in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

Since 1942, the United States has spent over 33 billion dollars to develop atomic industry. Over 95 percent of this sum has been spent on military application of this science. The stockpile of nuclear weapons has reached the stage of overkill with some estimates as high as twelve times the maximum needed to knock out all potentially military bases.

Senate ratification of test ban treaty and the filling of all possible military requirements poses the question of continued use and the very existence of the industry established to develop nuclear science. Capital investment in plants and structures alone exceed \$10 billion. This large investment is threatened with disuse and potentially destruction unless it is converted soon to effective peaceful uses.

The same nuclear force which creates military destruction can under proper controls be used to provide energy to meet mankind's needs. The present first tentative uses of nuclear energy for production of electric power are uneconomic. They are uneconomic in part because of the artificially high costs which have been established for uranium and the custom-built plants in which the atoms of uranium are split to produce energy to turn the wheels of generating plants. These economic problems can be solved with the traditional methods of mass production and production line techniques which have been the boon to American industry: Therefore be it

Resolved, That the Industrial Union Department, AFL-CIO, calls for conversion of nuclear industry as a forerunner, and as proposed by Senator McGOVERN in the establishment of a National Economic Conversion Commission (S. 2274), of conversion of the military industries generally through the use of modern production line techniques to build nuclear powerplants and help light the underdeveloped world through the production of 1,000 power reactors established in the areas of greatest need to produce electricity, and 1,000 reactors especially designed to use the energy of the atom to produce fresh water from the ocean for arid areas throughout the world.

The ACTING PRESIDENT pro tempore. Is there further morning business? If not, morning business is closed.

#### AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The ACTING PRESIDENT pro tempore. The Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H.R. 7885) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

The ACTING PRESIDENT pro tempore. The question is on agreeing to amendment No. 317, proposed to the committee amendment in the nature of a substitute, as amended. This amendment was proposed by the Senator from Alaska [Mr. GRUENING] as a substitute for lines 1 through 17, on page 50, of the committee amendment, as amended, relating to interest rates on development loans.

Mr. CHURCH. Mr. President, we are fortunate in having some columnists who understand the reasons and justification for current congressional efforts to reduce foreign aid. Such a balanced and objective observer is Arthur Krock, of the New York Times. In an article which appeared in the November 12 issue of the Times, Mr. Krock points out the legitimacy of current congressional concern over the foreign aid program. Although I cannot agree with the article in all particulars, it generally states a case worthy of our notice and approval. I ask unanimous consent to have the article printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### THE CONSTITUTION KEEPS GETTING IN THE WAY

(By Arthur Krock)

WASHINGTON, November 11.—The Secretary of State, who is a man mild of manner and speech but—as they say in his native State of Georgia—"sot in his ways," last week supplied one of the two reasons for Congress' sharp reduction in the foreign aid budget when he said he doesn't "understand it."

Merely by reading the Senate speeches of the self-named liberals who are leading the fight for the budget cuts the Secretary could readily discover the first reason. It is, that the executive proposes to give President Nasser of Egypt the aid which pays for the military force he is using to back his refusal to withdraw his troops from Yemen; and to continue to provide aid to President Sukarno of Indonesia, who is sworn to destroy the new state of Malaysia, and to Brazil, where President Goulart is dissipating the aid by failing to control inflation. The second reason is that the only effective means Congress has to show disapproval of executive policies it disapproves is through the appropriating powers that the Constitution reserves exclusively to Congress, foreign policy not excluded.

The Senate, led by the Members who have been the staunchest supporters of foreign aid, simply has turned to the use of this means to impose on the executive budget for the next fiscal year the revision and rationalization of the foreign aid program that long has been overdue. Rusk's statement to

his November 8 news conference that he disapproved of this "tendency to legislate foreign policy" is not at all surprising. What is surprising is his other statement that he doesn't "understand" the why and wherefore; and seems not to realize that with this assertion he was furnishing the general explanation of the situation he "does not understand."

Until and unless the President and the Secretary of State comprehend, if they really do not, what is so clear, the part of Rusk's news conference that states a sound principle of Government will not have the desired beneficial effect on Congress. This principle the Secretary phrased as follows: "I am very much concerned about the tendency in the Congress to legislate foreign policy as it might apply to specific situations or specific countries."

"It is not possible for the Congress to anticipate \* \* \* what the circumstances are going to be in any given situation. \* \* \* These are responsibilities carried by the President [who is] the one the country will hold responsible if things go wrong."

#### FLEXIBILITY IN DISUSE

But support in Congress of this sound precept in foreign policy is impaired when the Executive continues disuse of the flexibility in judgment it admonishes Congress not to impede—by perpetuating aid programs, such as those for Egypt, Indonesia, and Brazil. These are automatically self-defeating of the plain and declared objective of foreign aid. The eventual consequence, as is now being demonstrated, is that Congress will go too far in its efforts to restrain Executive flexibility.

An example was the Senate vote denying aid to any nation interfering with American fishing vessels in what the United States unilaterally decrees to be international waters. Diplomatic negotiation is the proper means, instead of legislation requiring other nations to accept U.S. charting of the seas. And only the Executive, not Congress, can conduct diplomatic negotiations.

Congressional foreign policy support by appropriation is also impaired when the Executive assumes leadership for this Government in coercing another to yield to military blackmail, and in violation of the United Nations Charter. Yet the administration, in concert with Secretary General Thant of the U.N., did precisely this to assure the success of Indonesia's threats of seizure of west New Guinea from the Netherlands.

This helped to build up the revolt in Congress. And in furthering the revolt Congress, of course, is using its constitutional power to cut authorizations and grants from the revenues contributed by American taxpayers. Thus again the Constitution annoys one arm of the true Federal Government by getting in its way.

Yet though this constitutional power, and the reasons for the tendency to invoke it, are plain, strangely enough the Secretary of State "doesn't understand it."

Mr. GRUENING. Mr. President, the amendment now pending before the Senate is my amendment No. 317. In order that there may be a full attendance of Senators for debate on the amendment, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

[No. 228 Leg.]

Aiken	Bible	Case
Allott	Boggs	Church
Anderson	Brewster	Clark
Bartlett	Burdick	Cooper
Bayh	Byrd, Va.	Cotton
Beall	Cannon	Curtis
Bennett	Carlson	Dirksen

Dodd  
Dominick  
Douglas  
Eastland  
Edmondson  
Ellender  
Ervin  
Fong  
Fulbright  
Goldwater  
Gore  
Gruening  
Hart  
Hartke  
Hayden  
Hickenlooper  
Hill  
Holland  
Hruska  
Humphrey  
Inouye  
Javits  
Johnston  
Jordan, N.C.  
Jordan, Idaho

Keating  
Kennedy  
Kuchel  
Lausche  
Long, Mo.  
Magnuson  
Mansfield  
McCarthy  
McClellan  
McGee  
McGovern  
McIntyre  
McNamara  
Mechem  
Metcalf  
Miller  
Monroney  
Morse  
Morton  
Moss  
Mundt  
Muskie  
Nelson  
Neuberger  
Pastore

Pearson  
Pell  
Prouty  
Proxmire  
Randolph  
Ribicoff  
Robertson  
Russell  
Saltonstall  
Scott  
Simpson  
Smathers  
Smith  
Sparkman  
Symington  
Talmadge  
Thurmond  
Tower  
Walters  
Williams, N.J.  
Williams, Del.  
Yarborough  
Young, N. Dak.  
Young, Ohio

Mr. HUMPHREY. I announce that the Senator from West Virginia [Mr. BYRD], the Senator from Washington [Mr. JACKSON], the Senator from Louisiana [Mr. LONG], and the Senator from Mississippi [Mr. STENNIS] are absent on official business.

I also announce that the Senator from California [Mr. ENGLE] is absent because of illness.

The PRESIDING OFFICER (Mr. NELSON in the chair). A quorum is present.

The Senator from Alaska has the floor.

Mr. BEALL. Mr. President, will the Senator from Alaska yield?

Mr. GRUENING. Mr. President, I shall be happy to yield to the Senator from Maryland, with the understanding that I do not lose the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BEALL. Mr. President, the foreign aid debate during the past 2 weeks has generated a great deal of editorial comment. On November 10, 1963, the Washington Sunday Star, in an editorial entitled "Tired of It All," expresses what I believe to be the sentiment of the American people on the subject of foreign aid.

I am confident that the bill which the Senate approves will reflect the demands of the American people that our tax dollars be expended with greater care and discrimination.

I now read the editorial, entitled "Tired of It All," for the RECORD at this point:

#### TIRED OF IT ALL

President Kennedy, in accepting a distinguished service award from a Protestant group, got in the following plug for his foreign aid program:

"I think the American people are willing to shoulder this burden. \* \* \* Some say they are tiring of this task, or tired of world problems, or tired of hearing those who receive our aid disagree with our diplomacy. But what kind of spirit is that? Are we tired of living in a free world? Do we expect to make it over in our own image? Are we going to quit now because there are problems not yet solved?"

The implication here is that the American people (who have been lugging the foreign aid load for 17 years) are ready, willing, and happy to keep on lugging it. Some other President, 17 years in the future, may be saying pretty much the same thing. But we dissent.

It is our belief that the American people, or most of them, are sick and tired of foreign

aid. They are fed up with doling out billions in American tax dollars to people who couldn't care less about what we in this country like to speak of as "the American way of life." They are bored to tears with the threadbare argument that the Communists will take over the world unless we pay the bills for countries which don't know or care which team they are playing on, assuming that they are willing to play on any team. Mr. Khrushchev can't even feed his own people. Why not let him try this foreign aid load for size?

To sum up, we think the American people, as far as foreign aid is concerned, have just about had it. And we haven't the slightest doubt that it is this more than anything else which underlies the attitude of Congress—an attitude which the President either can't or won't understand.

This Congress, of course, will pass a foreign aid bill. But the appropriation will be sharply cut back. And it should be. The 88th Congress will go down in history (with applause) if it begins the quick phasing out of foreign aid. And we do not believe that the rest of the world, without the Yankee dollar, will go either to pot or to the Communists.

I concur with what is written in the editorial. It certainly expresses my opinion. I believe it expresses the opinion of a majority of the American people.

I thank the Senator from Alaska for yielding to me.

#### CAN LAWS MAKE MEN EQUAL?

Mr. MILLER. Mr. President, one of the most scholarly and thought-provoking articles that I have read in a long time appears in the November 18 issue of U.S. News & World Report. It is written by Dr. Walter R. Courtenay, minister of the First Presbyterian Church of Nashville, Tenn.

I believe that the readers of the CONGRESSIONAL RECORD and others will find the article worthwhile reading, and I therefore ask unanimous consent that it be printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### CAN LAWS MAKE MEN EQUAL?—A MINISTER'S ANSWER

(By Dr. Walter R. Courtenay, minister of the First Presbyterian Church, Nashville, Tenn.)

(NOTE.—"Equality"—That's the battle cry now, in the United States and around the world. But what does it really mean? Are all men actually equal? Can they be made equal by laws or by other government action? Does liberty necessarily provide equality? Can democracy guarantee it? This problem of "equality," says a Nashville, Tenn., minister, "may be in many ways the greatest problem of our day." In a sermon that has attracted widespread attention, this minister discusses the whole question of individual rights—also of individual and governmental responsibility.)

During the past summer the air was filled with the raucous sounds of conflict in Birmingham, Chicago, New York, and Danville. It was also redolent with discord within the United Nations, and within the backward countries demanding recognition. Accompanying these was the endless struggle of labor and capital, and the seemingly endless drain of our resources into the giveaway programs at home and abroad. The air was charged with social electricity as individuals,



groups and nations fought for new status under the banner of equality.

Equality has intoxicated the modern world. Men walk starry-eyed through streets and halls dreaming of new days and improved status. The whole world seems in a peppy mood, and the bonfires grow larger and burn more fiercely, even as the songs, chants, and shouts of the participants become louder and more fervent. In a thousand tongues men scream their demands for equality, for place, for recognition, for rights, for privileges.

As one listens, he frequently hears the words, "All men are created equal, and are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness." But the words never end there, but hurry on to declare that it is the responsibility of government to make all men equal and to maintain equality amongst men. Still other words are heard, declaring that democracy has failed to establish equality, and that man, therefore, must now turn to socialism and communism.

In my summer setting, close to nature, I looked around for evidences of equality in nature, and found none. Trees and hills are not the same in breadth and height. Rivers and lakes are not of uniform size. Not all animals and birds are swift and beautiful. The lion does not recognize the equalness of the antelope, nor the fox the rabbit. Some fields are fertile and others sterile, and clouds and puddles are not the same, though both are water created. In nature inequality seems to prevail, and yet the inequalities of nature produce the beauty we admire.

As I thought of it, the same seemed to be true of history. Nations and races do differ in size, wealth, prestige, power, creativity, and vision. Some soar like eagles. Some build like beavers. Some grow like vegetables and weeds in the garden called the earth. Between individuals, races, groups, and nations there are broad differences, and equality is not a characteristic of either nature or human nature.

Having reached this point, my mind asked the question, "Can we have both freedom and equality?" Someone has said, "Freedom without equality tends to become license. Equality without freedom tends to produce stagnation." How can these great objectives be secured without damage to the highest social system men have yet devised—democracy?

Looking back across history, I realize: that the Jews preached concern for the poor, but not equality. The Greeks preached democracy, but not equality. The Romans preached justice under law, but not equality. The Middle Ages in Europe preached Christ, but not equality. In fact, not until the French Revolution did men openly affirm that "Men are born and always continue free and equal in respect to their rights," and not until our declaration declared that "All men are created equal" did the world come alive to the possibilities of equality. These two events placed a new chemical in the cup of life, and the contents of that cup are changing men.

Here I paused to rethink the words, "All men are created equal." Are they? I could see that all men are created equally helpless, equally ignorant, equally inexperienced, equally sin touched, but I could not see how they could be said to be created equal in any other sense. Men do not begin life with an even start for all. Their beginnings are marked by differences in pedigrees, health, educational and moral levels, economic strength, social status, and personality potentials. There are broad differences in temperament, talents, drives, and desires. They do not begin life on a common line.

And what of the so-called unalienable rights, such as life, liberty, and the pursuit

of happiness? Life is the gift of God, and so are liberty and happiness—in a certain sense. But being born is never enough. Getting here alive is only a beginning. In order to really live, one needs medical science, proper nutrition, adequate care, and a chance to become educated and equipped for adult responsibilities. As to liberty, it is not something that comes with birth. Liberty is man created, man achieved, and man maintained. God approves it, but man must win it.

Happiness is a byproduct of a way of life rather than something granted us by birth. It, too, is something we achieve by effort. It depends on many things: employment, purpose, personal development, and the right use of the opportunities and duties of life. Life God gives, but liberty and happiness we must achieve.

Having reached that state of mind, I wondered why men ever thought that government could make men equal and keep them equal. How can mere laws produce equality among men on a heart level? How can coerced fellowship ever become real fellowship?

#### WHAT GOVERNMENT MUST DO

That government has a role to play in the mighty, moving drama of man's progress is not to be denied. Our Constitution and our Bill of Rights stand to affirm it. It is the function of government to state the conditions of liberty, equality, and responsibility, but unless it is the will of the people to give life to the law, it will not work. The prohibition era proved that beyond our contesting.

Then why do we believe and state in our legal documents that "all men are created equal," and have "unalienable rights"?

I presume it is because we must find some means of limiting the powers of the powerful and of protecting the rights of the weak. Great power, unpoliced, tends to become destructive power. The rights of the weak tend to be lost in a land where only the strong prevail.

We all understand this, even as we all realize that the clamor for equality is always a push from below rather than a pull from above, although it has often been both in these United States. Slaves have never enjoyed being slaves. The poor have never enjoyed being poor. The exploited have never been happy with exploitation. Those who fall have never been proud of their shortcomings, and the employed have always felt that it would be better if they were the employers.

It is from this level of life that the hunger for equality rises. It is here that Utopia displays its broad green fields and still waters. It is from here that the valley of Shangri-La appears as the answer to all the ills of man. It is the hopelessness of the masses that provides the soil for hope in those who will not surrender to the accidents of birth and environment, and it is well that it is so.

And yet, one must face facts. In any classroom of pupils only a few qualify under the letter A. Below these leaders of the class are the B students, and then the C's, and then the D's, and then the F's. Some, by ability and effort, rise to the top, while others, because of lack of ability or application, take their places on the descending curve of scholarship.

In every nation it is the same. Only a small percentage of people have the ability, the desire, the drive, the willingness to work and sacrifice, to foresee and prepare for success in any realm. The people who struggle to succeed are never interested in equality, but in superiority. Their goal is never the level of the masses, but a level above the masses. They endorse and espouse liberty because it creates for them a favorable climate in which to think, plan, create, work and achieve according to their abilities and

desires. They never pace themselves by the speed of the mediocre, but by the speed of the best. They are never satisfied by crumbs; they want half loaves and whole loaves.

#### PEOPLE WHO MAKE PROGRESS

It is such people who made America possible, and who have always led men in the upward climb. They are, in truth, the benefactors of the race. It is their ideas and creativeness that establish businesses and industries, thereby providing employment for others, and the taxes that make community and national progress possible. They furnish our best leadership, and give to the Nation our best guarantee of security. It is because of them that progress is produced in all areas of life—the intellectual, the artistic, the economic, the governmental and the social. While they did not build America alone, they provided the means whereby our Nation came into existence and has continued on its upward way.

Looking critically at such a line of thought, I suddenly realized that the success of the few creates the inequalities that loom large in the minds of the many. The have-high-lites the have-nots. It is the successful who outlive the failures and all others who take their places on the curve of life as it sweeps downward.

During my summer days it seemed to me that:

It is the nature of some men to succeed, and others to fail.

It is the nature of some men to get by, and others to achieve.

It is the nature of the have-littles to want more.

It is the nature of the successful to seek to dominate.

It is the nature of those who are unsuccessful to resent it.

It is the nature of the poor to envy.

It is the nature of the wealthy to assume unjust privileges.

It is the nature of those who inherit wealth to use it well, to misuse it, or to feel guilty because they have it.

It is the nature of the intellectuals who receive their compensation from taxes or the gifts of the economically successful to advocate a change of system in order to get one wherein the intellectuals will be generously rewarded as business executives under free enterprise.

It is because men are unequal in ability and drive, in opportunities for recognition and advancement, in rewards for work done and services rendered that people become restless socially. It is the inequalities of humanity that create the crusaders for equality. In the 18th century men looked to democracy as the answer to the inequalities amongst men, and now in the 20th men look toward socialism and communism.

Democracy, as we have tried to shape it in America, has been heavily impregnated with the Ten Commandments of Judaism and the spirit of Jesus. Because of this, we are suspicious of any system that advocates the big lie, covetousness, greed, the stealing of property, the destruction of life, and the taking away of liberties. Democracy condemns without reservations the confiscation of private property and capital by the state and the regimenting of human beings like animals on a farm. Our democracy is not perfect. Imperfections exist, but its virtues exceed those of any other system mankind has tried.

These observations moved me then to reach certain opinions concerning American democracy:

1. Democracy was never created to be a leveler of men. It was created to be a lifter, a developer of men.

2. Democracy was created to let the gifted, the energetic and the creative rise to high heights of human achievement and to let each man find his own level on the stairway of existence.

3. Democracy was created to help men meet responsibilities and shirk no duties. That is why our Nation has been concerned about the honest needs of its citizens. We lead the world in justice, even though justice does not always move with prompt alacrity. Our Nation has been noted for the size of its heart, and not merely for the size of its pocketbook.

4. Democracy demands that the Nation be governed by the capable, the honorable, the far-seeing, the clear-seeing, and not by mediocre men. In the beginning, it was so. May it be so again.

5. Democracy demands more from men than any other system in the realm of self-discipline, dependability, cooperativeness, industry, thrift, and honor. Democracy will not work when party politics are not guided by basic ethical principles. For a party to foster class consciousness, class conflict, misrepresentation, covetousness, violence, theft, and an open defiance of established law is to breed anarchy.

6. Democracy must give to all its people the following rights:

- The right to equal learning.
- The right to equal employment.
- The right to equal treatment.
- The right to equal justice.
- The right to adequate housing.
- The right to vote.

The meditations of the summer convinced me that governments of themselves cannot make men equal or remake men into the beings they ought to be. That is a spiritual venture, not an economic and political one. A change from democracy to either socialism or communism, or a change from private capitalism to state capitalism, will not solve the basic problems of mankind; it merely shifts the areas of power.

I am disturbed, therefore, when church leaders and church groups seem to advocate socialistic means and objectives as the answer to the problems of democracy, and especially the problems of equality. This is especially true when certain leaders voice slogans that appear logical and Christian, but are not. Let me name four:

1. "The world owes every man a living." No, it doesn't. Christian ethics have never said so, and I have never known any man worth his salt who has claimed special rights under such a slogan. It is the cry of the lazy, the inept, and the failures. Such a slogan is a far cry from our meeting the needs of the needy, which, of course, is our duty.

2. "Production for use, and not for profit." That sounds good, but it is as phony as a Russian promise. It is profits that have produced the blessings of our Nation and enabled her to be a blessing to the nations of the world. Profits are essential to the general well-being of society. When the state takes over under the slogan of "use, not profits," men lose their liberties and their standard of living. Such a switch merely augments the insatiable appetite of the state.

3. "Human rights, not property rights." As I look out over the world, one thing is clear: Where there are not private property rights, there are no human rights. Private property rights form the seedbed in which human rights mature. As long as private property rights are clear, human rights will flourish.

4. "The end justifies the means." According to Christian ethics the statement is not true. It was just such a statement that produced the crucifixion of Jesus, the torture of the martyrs, the burning of witches, and the denial of life and liberty to the inhabitants of current communistic lands.

Churchmen, whether lay or clerical, who seek to solve the problems of our society through socialistic processes, rather than democratic ones within the free enterprise system, are heading down a road that leads

toward darkness. Only by encouraging Christians to envy, to covet, to be class conscious, to foster class conflict, and to approve stealing and even murder, can such objectives be attained. To realize them would bring about a broad denial of law and order and the orderly handling of social problems. Whenever we as a church, an educational system, or a Supreme Court encourage people to misrepresent facts, to use force wrongfully, to flout law and order and to stimulate bitterness and hatred, we depart from logic, Americanism and Christianity.

#### BLAMING THE PROSPEROUS

I unhesitatingly oppose the use of socialistic and communistic methods in the solving of the problems of our free enterprise democracy. Our problems are problems of human nature rather than of economics and sociology. The man who has two cars is not preventing another from having one. The man who earns \$50,000 a year is not robbing him who receives \$300 a month. The man who owns a good house does not thereby force another man to dwell in the slums. And the people who prosper under our system cannot be blamed for the problems that plague the lives of those who compose the lower 25 percent of the Nation. The so-called privileged are not always a credit to either church or state, but they are not, in the main, parasites on the body politic. We are, therefore, wrong when we damn the successful, the wealthy, the enlightened, and the patriotic in order to gain what we call equality.

Having said that, let me hasten to add that the redistribution of wealth will not solve the human problem that plagues us. Wealth is not fairly distributed in any land under the sun; it never has been and, I presume, never will be. Nor do we solve social predicaments when we blame the top 20 percent of our people for the inequities that seem to mark the 80 percent.

Nor is it logical for our Government to be forever emphasizing the neglected duties of the employers, while ignoring almost totally the neglected duties of the rest of us. The wealthy have many sins to confess, but so do we. And when we come to the advocacy of moving from private capitalism to state capitalism, and the listing of the sins of democracy while ignoring its multiple virtues, and assuming that virtue resides in the have-nots, but not in the haves, I can only shake my head at the presumed wisdom of such positions.

Let no one hearing my voice conclude that I am speaking as a have or a defender of the haves. Let no one believe that I am unconcerned about those in our midst whose rights are often ignored and whose status is questioned. I am not blind to the sins of the privileged any more than I am the sins of the underprivileged. The business leaders do not need my voice to defend their position; they are strong defenders of themselves. But I have walked the roads of life with men of all classes, and have reached one conclusion: "There is none righteous, no, not one." We are all bearers of the tell-tale gray of selfishness. The 5 o'clock shadow is on all our faces.

The Lord I love and serve was not overly optimistic about humanity. He knew man as he is, and worked with him for what he could become. He ministered to the multitude, teaching, healing, feeding, encouraging, comforting, but he never assumed that equality was part of the human scene. He talked of love and neighborliness, but not equality.

Perhaps that is why the New Testament puts the emphasis on brotherhood and not equality. It emphasizes responsibilities, not privileges. It stresses love toward God and love toward neighbor. It seeks to create a church that will be brotherly within, and concerned for those without. It urges men

to find the God-way to selfhood, success and happiness, and offers a heat-treated cell to all who misuse life, be they rich or poor.

Paul, in his letter to the Church of Corinth, denounced the lack of brotherhood within the church, and urged men to be concerned for one another, but he did not assume equality to be one of the "must" characteristics of Christianity. It was not a matter of love without differences, but love in spite of them.

The church, as someone has said, learned a long time ago that it is easier to create liberty than it is to establish equality. It has always known that equality can only be had by a loss of certain liberties. If men want equality above all else, they may best find it in communism. If men want liberty and a fair portion of equality, they must turn toward democracy.

What the world needs is a change of heart, a change of climate born of faith in God, a reaching up that there may be a reaching out, a confession that produces a new dedication. This governments and laws cannot create, for governments and laws are but the reflection of the standards of a people.

Everything in social Christianity depends on the wise use of possessions, time and talents, and only when we, Christian members of a democracy, become good stewards of the things that bless life do we begin to move in the direction of righteousness and justice, peace and true prosperity.

#### LIBERTY FIRST—THEN EQUALITY

The problem of equality may be in many ways the greatest problem of our day. We cannot solve it by government, and we shall not solve it en masse. Only when we as Christians take seriously the teachings and example of Jesus shall equality and liberty exist without subtraction or subtraction. Only when we stand before God confessing our needs shall we be empowered to meet the needs of others.

If I must choose between liberty and equality, I must choose liberty and then hope and work for equality, for such seems to me to be the Christian's way.

#### ANTI-SEMITISM IN THE SOVIET UNION

Mr. KEATING. Mr. President, November 9 marked one of history's most tragic anniversaries. Twenty-five years ago, on November 9, 1938, Hitler's storm troopers turned on the German Jewish community, murdering and injuring large numbers of men, women, and children, and arresting 20,000 who were sent to concentration camps. Hundreds of synagogues were set on fire; thousands of shops and homes were looted and destroyed. So much glass was broken that the night has been described as "the night of the broken glass." The Jews had to pay for the destruction of their own property and, in addition, were shouldered with a collective fine of 1 million Reichsmarks.

This was the beginning of the campaign of organized terror and destruction that did not stop until the Nazis were defeated in the worst war of all times, and until millions of Jews were slaughtered.

Now, 25 years later, 3 million Jewish survivors of Hitler's Europe are being hounded by the Soviet Government that seeks to blame Jews for its moral and economic failures. Persecution of Jews is on the increase; the outlook is ominous. Jewish leaders are being executed following widely publicized show trials.



The press, radio, and TV are heaping insult and slander on Jews, branding them as spies and swindlers. Synagogues are being closed, and Jewish cemeteries are being desecrated. This is a continuation of a policy begun by Stalin, and never repudiated by Khrushchev.

State sponsored anti-Semitism is often a successful solution to the problems of the state, functioning to direct public attention away from these problems, while projecting the blame to a defenseless scapegoat. This is a phantom solution, however, leaving the real problems unattended and out of sight where they grow undisturbed. The ensuing desperate situation breeds tyrannical leaders and predisposes to reckless explosions of international violence.

Mr. President, on the 25th anniversary of the beginning of the Nazi extermination program, we are reminded that the preservation of the liberties of all, and of peace itself, depend on the refusal of the civilized world to accept minority group persecution as state policy. We hope and pray that the Soviets will relent in this increasing campaign of anti-Semitism as required by minimum standards of human justice, and as so prominently expressed in their own constitution.

#### NATIONAL COMMITTEE FOR THE SUPPORT OF THE PUBLIC SCHOOLS

Mr. KEATING. Mr. President, the National Committee for Support of the Public Schools was formed in January 1962 by a bipartisan group of national leaders in business, labor, agriculture, and the professions. Their goals are to promote an increase in financial support of public schools at all levels of government and a reorganization of school finance in order to develop a coordinated, fair and effective system of school support.

Mrs. Agnes E. Meyer, whose efforts on behalf of worthy causes I need not enumerate for my colleagues, is the chairman of the National Committee. Mrs. Meyer addressed the Great Neck Education Association of Great Neck, N.Y., on October 23, and because her speech is so timely and thoughtful, I ask unanimous consent that it be printed at this point in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

##### IT PAYS TO EDUCATE

(By Agnes E. Meyer, chairman, National Committee for Support of the Public Schools)

That may sound like a materialistic title. But the plain fact is that our public school system has always been and still is the principal source of America's high per capita productivity. In the modern technological world—a world that is headed toward a new historical era in which our place amongst other nations will be a question of brains rather than brawn—education has assumed such importance that the country which does not value a first-rate system of public schools is doomed.

And yet we find growing resistance to the approval of school budgets and bond issues. This has happened in Great Neck and other

communities. In some communities battles over school expenditures have left scars on the body politic. Nor can we look upon these contests as a struggle between the angels of light and darkness. Rather, the financial difficulties of the public schools derive mainly from these factors:

1. High taxation generally and especially at the Federal level.
2. Lack of realization by many citizens that the improvement of the public schools is a matter of high, if not of first, priority.
3. Our attempt to meet the mounting, and necessarily mounting, costs of public education by means of an archaic system of financial support.

The American public school system was built on a financial structure keyed mainly to the local property tax. A century ago this tax was an acceptable measure of fiscal capacity. This is no longer true. Yet we continue to pay most of the cost of a vastly increased public school bill by a tax on property. In innumerable villages, towns, and cities this traditional source of support for the schools has reached the maximum which it can bear. The real estate tax cannot be increased in many local communities without endangering the economic security of many households.

If factors such as those described have caused difficulties in Great Neck, one may readily imagine the problems encountered in the vast majority of communities which are far less favorably situated.

The States now recognize the necessity of State support for public schools. However, this support is curiously uneven, ranging from 90 percent of local school expenditures in one State to a paltry 12 percent in another. Furthermore, in most States the tax systems which provide the funds for schools and other State undertakings are frequently a hodgepodge and take little account of modern sources of fiscal ability.

Federal funds are now expended for literally hundreds of educational activities totaling \$2.2 billion in 1961-62. However, only a fraction of this amount directly aids the public schools in the localities.

Moreover, the Federal Government increases the difficulty in securing adequate State funds for public schools by the practice of making substantial grants to the States for several purposes, such as highway construction, on a matching basis. Lacking such matching grants, the schools often are placed on a low priority when State legislatures appropriate funds.

There are a few fortunate and conscientious communities such as yours that spend \$1,250 a year per pupil. There is a far greater number that spends less than one-quarter of this amount per pupil, some because they are indifferent to education, others because they literally cannot afford a higher per capita expenditure. This inequality of opportunity for self-development is not only a grave injustice; if it is allowed to continue it will be a serious threat to the future of our Republic for it will result in an ever increasing illiterate, semieducated, ill-trained proletariat—and by the designation proletarian is meant people having no stake in the welfare and progress of our Republic. By starting the schools in our city and rural slums we condemn the poor to continuing poverty.

How extensive is poverty in our country? Far more than most well-to-do Americans realize. It is officially recognized that one-fifth of the American people are living in extreme destitution. Above this poverty-stricken group are about 39 million people who fall short of what is considered in our country a modest subsistence. The chief cause of poverty in our affluent society is ignorance—the fact that these people happen to be born in localities where good education and training are not provided as a

normal part of life. These lowest income groups are inarticulate and lacking in leadership. Thus most well-to-do Americans are unaware of their plight. I regard it as an important manifestation that the Negro is now voicing a protest against continued economic and educational neglect. It should help arouse the general public to the obvious truth that our underprivileged millions, whether black or white, must be given equal opportunity for self-development if our society is to maintain its former rate of productivity and progress. Nor is our democracy entitled to be called such, if we develop a class society in which three-fifths of the population is prosperous and two-fifths struggling to keep body and soul together.

In short, the whole muddled and varied methods of tax support for public education call for analysis, if we are to keep pace with the new and far more costly needs of a school system that will educate our children so that each and every one of them can develop his maximum capacities—we must have a system that can prepare our children to live in a changing world whose frontiers of knowledge are expanding at a frightening pace. Under the new economic, social, and scientific demands upon education, such schools will be very costly.

How can we pay for so expensive a system of public education? Realizing that even some of our most enlightened citizens are baffled by this fundamental problem, a National Committee for Support of the Public Schools has been formed by a bipartisan group of citizens from every State in the Union. What brings us together is our belief that survival and progress of the United States depend as never before upon the full development of our human resources. To pay for our schools is a difficult task, especially in a period when far too many Americans are appalled by the financial strain of military security and foreign aid, to say nothing of social security and unemployment insurance. But our national committee is convinced that better public education for all will contribute vitally to the solution of these problems by raising the rate of national productivity, and by producing the trained personnel that is more important to the security of our country than the atom bomb. If we are strong here at home we shall be better prepared to maintain the world leadership that has been thrust upon us. And, assuredly, we can influence foreign nations, whether friend or foe, far better through our own exemplary performance than through the exhortations and promises of our statesmen.

What then is the program of our National Committee for Support of the Public Schools? We are not a lobbying group. As a committee we are neither for nor against any legislation for support of education, though our members are free as individuals to do as they please. Our program is educational. We are convinced, both the Republicans and Democrats, among our membership, that a much stronger national determination to improve the scope and quality of public education is urgently needed, is in fact the Nation's major problem.

To awaken people to the fact that this must be a nationwide concern and a nationwide movement, we invited our entire membership last April to a 3-day conference of which the Saturday Review of Literature stated: "At its first national conference the committee put on as impressive a display of blue ribbon talent from industry, government, communications, and education as the Nation's Capital has seen in many years." It was attended by 300 community leaders from 48 States, all of whom paid their own way, put aside important professional, business, and personal obligations because they are, one and all, people who put education at the top of their priorities. Our speakers made it clear that we are engaged in a second

industrial revolution that will be more prolonged, more severe, more complex and thus creating more human misery than the first industrial revolution that gave us Karl Marx, unless we develop the educational statesmanship that will rapidly adjust our public schools to the needs of a new era. We have made a summary of the speeches in a booklet called "Light A Fire", a title taken from my farewell message to the committee members, in which I said: "Because of the size of America and its present apathy the individual citizen feels his own effort is often insignificant and even futile. But the secret of the fight for education is that it can be won by each individual committee member working steadily and intelligently in his own community. On Main Street, in the city hall, in the capitals of our States, we members of the national committee must each light our fires. They will spread from the States to Congress once the fire begins to burn brightly in the grassroots."

The program of our committee is different from that of any previous national committee to improve the educational system. It is specifically dedicated to a single aim: to stimulate more adequate financial support of public education. This entails, however, that we make it crystal clear why and how education must now be transformed without delay. We are not in competition with organizations having similar aims who are already in the field. On the contrary, we work in close cooperation with organizations at the grassroots level, the State and local citizens committee, the PTA's, the League of Women Voters, and other large women's and men's clubs.

The National Office in Washington (1424 16th Street NW.) acts as a clearinghouse of information on school problems and school financing. But we fill in the gaps of knowledge on such subjects by original research and factual studies because we are convinced that the people themselves will act to improve their schools when they are fully informed of the obstacles in the path of speedy progress.

The committee's first effort to stimulate understanding and organized action was to publish a report entitled "Changing Demands on Education and Their Fiscal Implications" compiled and written by the distinguished professor of education, John K. Norton; copies can be purchased from our Washington office. The report is concerned primarily with the interrelation of education and economics as they affect the well-being of the individual and of the Nation. If you will read this report you will find a statement of the main objectives of our national committee:

1. To publicize individual and social benefits which accrue from investment in the right kind and amount of public education.
2. To focus public attention on individual and social problems associated with inadequate schooling of a considerable percent of citizens.
3. To point out areas of educational policy and action essential for full development of human resources.
4. To identify fiscal action essential to adequate financial support for effective public education at all levels from kindergarten through grade 14.

We have not gone beyond grade 14 in our calculation since the public schools at present do not envisage an education beyond the age of 16, or of 18 years, if the community has a junior college. But let us not forget that the high school population skyrocketed when the opportunities for employment of unskilled youngsters disappeared. Now that automation calls for people of ever higher skills, it may well be necessary to keep those boys and girls who do not go to college in school until they have been prepared, through work and study programs, to fit into

the changed and constantly changing economic structure. We cannot turn our children on the streets and leave them unprotected against the work hazards of today. The evils of unemployment afflict all age groups in our labor force. But the rate is highest among teenagers, especially among Negroes and other minority groups. It is clear that we shall have to continue suitable education until the time comes when the individual is prepared to find his place as a productive worker—perhaps until he is 20 or 21. To ask ill-prepared youngsters to shift for themselves before or even after high school will only mean a still greater increase in crime and delinquency. We have a choice of keeping all youth in newly planned programs in our schools or keeping them on relief. Certainly the former is more humane; no human being can be happy without work. At the same time such work and study programs would be economically more constructive.

The provisions for continuing education would have to be adjusted to the geographical problems involved, namely the regions of the country which have more precarious problems than others. We must not forget the indigenous problems which confront rural youth of this age in education, training, and job opportunity.

Economists have searched for some factor, hitherto imperfectly recognized, to explain the economic advance of western society. It is in human resources, properly trained, that they have found a major factor of economic growth. Dr. Schultz, of the University of Chicago, has calculated that not less than 30 percent (and perhaps as much as 50 percent) of the unexplained increase in income in the Western World is attributable to the additional education of workers. The investment in education, he maintains, returns as much or more than the investment in physical capital. And Dr. Eli Ginzberg, of Columbia University, puts it this way: "Our economic system is misnamed. Capitalism suggests that the key factor in development is capital; actually it is the values, aspirations, and skills of people."

If we consider the world scene we find an answer to the belief that the Western nations first became prosperous and that this prosperity made it possible for them to have good schools. A careful international study as to whether prosperity came before education has led to the conclusion that, in the advanced Western nations, education has been the precursor rather than the follower in the table of progress. Brazil has extensive natural resources, limited educational development, and a per capita income of \$230. Denmark with almost no natural resources but high educational development, has a per capita annual income of \$750. The comparable figures for Mexico and Switzerland are \$220 and \$1,010, respectively. Japan, with the best school system in Asia and with the highest rate of literacy in the Orient, has also the highest per capita income in the Far East.

These are some of the plain facts concerning education and productivity that must be explained to the American people if we are to overcome their lethargy concerning the need for better public schools and willingness to pay the costs.

One reason for poorly financed schools is the failure of school programs to match the economic changes in other areas. For example, 30 years ago the U.S. Government collected about one-fifth of all taxes, Federal, State, and local. Today the Federal Government gets over two-thirds of all the tax revenues. Yet it pays only 3.6 percent of the school bill whereas the local communities pay 39.4 percent. Our school finance patterns have not reflected that very important shift. They are still bogged down in the outmoded belief of a preindustrial age that local real estate taxes can foot most of the bill.

Failure to recognize this change in the tax structure has resulted in an inflexible attitude toward school expenditures.

Whether the necessary funds to strengthen education will be forthcoming depends on whether the American people understand the social and economic importance of education. Do they understand that education as investment is an economic fact and not a mere figure of speech? Do they understand the outmoded fiscal policies which block the achievement of sound school finance patterns? Do they recognize the penalties, present and future, that attend the failure to provide first-class schools for all our citizens?

Let me digress for a moment so that you may see the revolution we face in education, as I see it. This Nation is headed for serious trouble. The people who know this keep still about it. Most people do not know it because they are lulled to sleep by a pervasive affluence.

The heart of the trouble is our sluggish economy. The famous Swedish sociologist, Gunnar Myrdal, says flatly in his last book, "Challenge to Affluence": "The most important problem in the world today \* \* \* is that America shall succeed in getting out of the rut of slow economic progress." He is not concerned because of any particular love for us. He argues that a nation which cannot solve its own economic problems can scarcely assert the leadership it should have in international affairs. Failure here at home is bound to produce lack of respect even among friendly nations. For on America's economic recovery, says Myrdal, depends not only the well-being of our own citizens but to a great extent the well-being of the whole world.

Our economic problems are aggravated by the rapid expansion of automation by which we maintain and expand production with a fraction of the former working force. Charles C. Killingsworth, professor of labor and industrial relations at Michigan State University, estimates that our real rate of unemployment is not 6 percent, as reported by the Labor Department, but 8.8 percent, an alltime high since the great depression. The number of unemployed youth between 16 and 22 is anybody's guess since many of the unskilled Negroes and whites do not even bother to register. The problem is aggravated by prejudice against the Negro. Bad as the employment outlook for youth is now, it will grow worse without decisive action. On July 12 Secretary of Labor Wirtz said: "There will be 5,500,000 coming into the labor force in the next 32 months and unless we do something 2 million of these could be headed for the scrap heap." In our automated industries there will be less and less room for the untrained worker. At the first conference of the National Committee for Support of the Public Schools, Secretary Wirtz told us: "I suggest that automation demands that the educational system, in one form or another, must assume the responsibility of seeing to it that nobody leaves school until he or she is prepared to do the kind of work that is available."

There is one aspect of the revolution in education that confronts us. Emphasis on the need for new insights and prompt action in education of the disadvantaged in no way diminishes the need for better education throughout the public schools for all children, including those who are able to benefit by a college education. But the million or more young people who are at present neither at school nor at work, and the fact that this group may be increased to a dangerous extent year after year makes it imperative that we take prompt and effective action so that all youths up to the age of 21 will be in school, be employed, or have their time occupied by a combination of schooling and employment.

I am in sympathy with the present drive for excellence provided it does not result in a rat race for marks rather than an interest



in learning. We must not only give superior training to the obviously talented. We must institute a nationwide search to identify and develop talented youth. What is more, much talent could be found among the neglected groups, if our guidance experts were sufficient in numbers and in alertness. But I see the most insidious danger to the civil order and the future of democracy in educational indifference to the underprivileged whether in our city slums or the poorer States whose schools, especially in the rural areas, are a disgrace to a nation which boasts of equal opportunity for all its citizens. As I have said, our sluggish economy is not only a menace to our domestic social progress but to prestige throughout the world. I am not an economist. But I do know that our public schools have always been a major source of our economic leadership. I am convinced, therefore, that if we now have the courage to create a totally new educational system which develops every child's capacities to the utmost, and makes that youngster productive, however humble the job may be, we shall increase the buying power of the Nation and start our economy on an upward trend. There are indications that the expansion of the public school system is already having this effect. The Labor Department has just reported a sharp unexpected increase for the month of September in school employment, the only field except the automobile industry which has improved during that month. "The increase in school employment," said the Labor Department experts "reflects a trend toward more educational services, and has long-term economic significance." This trend will increase in significance for our economy as we improve our educational system at a period when industrial jobs will be limited due to more automation.

Furthermore, the failure to educate results in rejection for military service, in low earning capacity, unemployment, and an appalling expenditure for relief. Thus we all pay for educational neglect.

The U.S. Assistant Secretary of Health, Education, and Welfare testifying before a congressional hearing in 1962 stated: "There are 7½ million persons in our affluent society receiving welfare payments today. Total annual Federal, State, and local expenditures for this purpose exceed \$4.5 billion. Forty-five percent of all families with less than \$2,000 annual income have a head of the family with less than an eighth-grade education. These families, in turn, constitute the source from which the public welfare rolls develop, when an individual becomes unemployed or sick or some other hazard occurs to him."

Now, in conclusion, let me answer those who cry: "Money isn't everything." The facts which I have presented tonight prove that improvement of our public schools cannot develop our human resources without the expenditure of huge additional sums. It is costly to provide schools in every community able to meet the changing demands of a technological age. It will be costly to develop the varying talents of all youths—the gifted, those of average ability, those of low scholastic aptitude. It will be costly to eliminate illiteracy not only among the young but among older persons. Above all, it will be costly to meet the needs of non-academic youngsters who will have to be kept in school or in other training until they can find a job. It will cost huge sums to pay the higher grade of teachers for whom Dr. Conant has made such a strong appeal. It will cost a staggering amount just to build the schoolbuildings, the laboratories, and other necessary facilities for an ever mounting school population. To be sure, money isn't everything. But the evidence is clear that there is a correlation throughout our country between the quality of schools and their level of expenditure.

The increased sums needed were estimated to be between \$7 and \$8 billion per year in 1958 as cited by Dr. Conant, to \$13 billion per year in 1961 as estimated by former President Eisenhower's Commission on National Goals. A calculation for the National Committee for Support of the Public Schools estimates that the minimum increase in current public school expenditures, between the 3 years 1962-63 and 1965-66, should be \$16.9 billion.

The Rockefeller Bros. Fund made a report on this question of needed expenditures: "It will not be enough to meet the problem grudgingly or with a little more money. The Nation's need for good education is immediate, and good education is expensive. That is a fact which the American people have never been quite prepared to face."

"Perhaps the greatest problem facing American education is the widely held view that all we require are a few more teachers, a few more buildings, a little more money. Such an approach will be disastrous. We are moving into the most demanding era in our history. An educational system grudgingly and tardily patched to meet the needs of the moment will be perpetually out of date. We must build for the future in education as daringly and aggressively as we have built other aspects of our national life in the past."

The National Committee for Support of the Public Schools will underpin such general statements with factual studies of State tax structures, with fact sheets that go out to its membership every month by which our members can measure the educational achievements and the fiscal support they give their school systems in comparison with other States. We are confident that the American people want better schools. We are confident that our affluent country can pay for them, provided the obstacles to local, State, and Federal support are removed. By dint of hard work achieved by our distinguished local representatives in our States, cities, and townships, we are confident that we can publicize what the penalties of failure to provide good education will be for the future prestige and well-being of our Nation. By contrast we hope to inspire the American people with a vision of what community life, what our national development, economic, social, and cultural would become; how our status among nations would be enhanced as the reward of providing excellent schools everywhere in the United States.

You here in Great Neck who are struggling so valiantly for good education in your community should realize that you are setting standards for the rest of the country, and that the rest of the country needs the kind of effort you can make, enlarged to a national scale. When your children and the children of every other American family are guaranteed an education of quality from the time they are 6 until the time they are ready to take on the tasks of their society, we will have the education this great democracy deserves and the one it must have if it is to carry out its historic mission of raising the hopes and the capacities of all men everywhere.

#### TO RULE SPACE: LAW OR MIGHT?

Mr. GRUENING. Mr. President, our able colleague, ALBERT GORE, senior Senator from Tennessee, has written an excellent article on the legal and other aspects of the space age and man's entry into this infinite new area so challenging to man's imagination and effort and so full of potential for good or ill.

Last Sunday's New York Times magazine published this article under the

heading: "To Rule Space: Law or Might?" with the subheading: "The Day Is Coming When the Far Beyond Will Be a Fairly Busy Place, and It Is About Time for the Nations To Agree on Who's Allowed To Do What, Where."

This is an important presentation and perhaps the first serious discussion by an experienced student of international affairs of some of the unresolved aspects of space penetration by man to be published in an organ of national circulation. It deserves the widest reading and adds one more of the constructive approaches to national and international problems which characterize Senator GORE's distinguished career of public service.

I therefore ask unanimous consent that the article be reprinted in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### TO RULE SPACE: LAW OR MIGHT?

(By ALBERT GORE)

(NOTE—ALBERT GORE, Senator, Democrat, from Tennessee, gained a close acquaintance with international space issues when he was a member of the U.S. delegation to the U.N.)

WASHINGTON.—Recent spectacular achievements in the effort to conquer outer space have seized the imagination of men everywhere. And perhaps for good reason. After all, most of the drama-producing elements surround the race into space: danger, adventure, and the added excitement of a determined contest between two great world powers.

But the conquest of space involves considerably more than the excitement of a Buck Rogers-type adventure. Enormous military and economic consequences obviously would accrue from a proven ability to transport men and machines freely in outer space. Furthermore, there are important technical and social benefits to be considered.

The United States is clearly committed to a policy of development of outer space for peaceful purposes with the widest possible dissemination of the fruits of that effort. But if development is to proceed under a rule of law rather than a rule of might, all nations must agree upon and accept international rules of behavior governing space activities.

These international rules of behavior, if they are to be fully effective, must relate to the conduct of both nations and individuals. When developed and accepted, these rules will become space law.

Some may question the need for "law" and its application in outer space, an environment in which man is now taking only his first experimental steps. Already, however, certain practical legal questions, though they have not yet arisen as judicial controversies, can easily be foreseen.

The basic question, fundamental to solution of all others, is: Where does space begin and national sovereignty end? The member nations of the U.N. have tentatively agreed that no nation may assert sovereignty in outer space, but they have not agreed on where above the earth's surface this injunction takes effect.

Usually we think of space as the area beyond the earth's atmosphere. But the atmosphere does not just end all at once. It simply gets thinner and thinner until finally there isn't any to speak of.

This presents a problem. For even on the surface of the earth there is often disagreement among nations about the geographical limits of national sovereignty. This is true,

for example, with respect to the law of the sea. Some nations, including the United States, subscribe to the traditional theory that national sovereignty extends seaward a distance of 3 miles from shore. This "rule" came into being many years ago when 3 miles happened to be about the maximum range of weapons then in existence. But some nations insist that sovereignty should extend to 12 miles seaward from the shoreline. Quite a bit more is involved in this controversy than questions of national defense. For example, a nation may control fishing rights within the area of its sovereignty, but not in international waters.

But when legal questions arise in the settlement of disputes involving international waters, there is at least a body of international law that can be applied. Why, then, cannot there be general agreement that the basic principles of the law of the sea would also apply to outer space?

This would appear logical, but the problem is hardly that simple. The subject is complicated, among other reasons, because of the existence of the cold war and the fact that the United States and the U.S.S.R., the leading space powers, are also the chief antagonists in the cold war.

Moreover, within the framework of the tensions of the cold war it is often difficult or even impossible to differentiate between questions that are legal and those that are political. Even where the distinction can be made, agreement on international legal questions is obviously often influenced by international political considerations.

Both the United States and Russia have joined other member states in support of a United Nations resolution passed unanimously relating to peaceful uses of outer space. Among other things, this 1961 resolution commended to member states of the United Nations two important principles—first, that international law, including the United Nations Charter, applies to outer space; and, second, that outer space and celestial bodies are free for exploration and use by all states and are not capable of appropriation by any state.

It will be noted that this resolution reflects agreement "on paper" that international law applies in outer space. The resolution does not, however, purport to reflect agreement on what the law is, or ought to be, other than incorporating by reference the provisions of the United Nations Charter. I need not remind the reader that more often than not there is disagreement between East and West concerning the application of United Nations Charter provisions to specific facts or circumstances.

Significantly, there is not even agreement on what constitutes "peaceful use" of outer space. It seems obvious enough that arming this new environment with weapons of mass destruction for aggressive purposes would not be a "peaceful use." And the United States has clearly and repeatedly stated its policy of not placing nuclear weapons in orbit unless forced to do so by action of the Soviet Union—while at the same time making clear our determination to take every legitimate step necessary to preserve our security and that of our allies. A United States-Soviet agreement not to orbit weapons of mass destruction has now been followed by a unanimous U.N. General Assembly resolution to the same effect.

But if "peaceful use" precludes launching H-bombs from outer space, what about orbiting observation satellites? The argument about so-called "spies in the sky" serves to illustrate how military-political issues act as roadblocks to progress in reaching agreement on practical legal questions.

In supporting the United Nations resolution of 1961 on the application of international law to outer space, the Soviets endorsed the principle that no nation could claim sovereignty over space or any celestial

body. (There are some indications that they may have had second thoughts about the wisdom of this position, but they are clearly on record in support of the principle.) The law of the sea recognizes the free right of transit of international waters by the ships of any nation, including warships. Similarly, the use of the air space above international waters by military aircraft is perfectly legal and is generally accepted as a peaceful operation. At least, in the absence of some aggressive action, such transit is generally not characterized as nonpeaceful.

If space is to be really international territory, then its use by vehicles which have both military and civilian purposes would appear to be wholly permissible. But the Russians denounce the use of observation satellites as espionage, and seek to declare their use to be an invasion of sovereignty, on the grounds that the mechanical eyes of such satellites might look through the atmosphere above the terrestrial area over which a nation exercises sovereignty.

This Russian contention is somewhat novel from the standpoint of legal theory. If it is a violation of international law to observe any activity in a nation from a point outside that nation's border, then it would be a violation of law for anyone standing on a ship outside the 3- or 12-mile limit to look at the shore. If this is a violation of international law, then it surely is frequently violated.

In fact, this Russian contention is based more on political considerations than on legal considerations. It is probably influenced by their conviction that we are well ahead of them in the development of this type of satellite. The Russians frequently condemn something someone else has and they do not have.

It is also quite possible that Russian opposition to observation satellites is really a reflection of their fear of penetration of the secrecy upon which their society is built. If the Russians dared to open up their society as ours has always been open, the thought of mechanical eyes looking across hundreds of miles of air space would not be disturbing to them. But then, if the Communists really did open their society, it would constitute such a basic change in the nature of the Communist way of life that the whole course of the cold war would be changed anyway.

The fact is that observation satellites can serve both civilian and military purposes. They can measure solar and stellar radiation, observe the atmosphere or observe the earth and thus add significantly to the science of geodesy. Any major scientific or technological breakthrough in space development inevitably has both civilian and military applications. It would be impossible to eliminate the military implications of space research, and it would be foolhardy to ignore them. If the Russians persist in seeking to declare illegal any use of space which might have some military application, little progress can be expected in the development of space law.

The orbiting of nuclear weapons and the possible use of space vehicles for military purposes generally are not really legal issues at all. They are political issues. I do not think it realistic to expect that space can be isolated and dealt with just as though the political issues of the cold war did not exist. Neither East nor West will voluntarily abandon an advantage they believe themselves to possess, and all the talk about what is "legal" and what is not "legal" is often nothing more than propaganda.

But failure to resolve political issues need not mean that no progress at all can be made in reaching agreement on the application of international law in outer space. There is hope for progress through the approach of concentrating on the areas where political considerations are not dominant.

The policy of the U.S. Government in seeking to emphasize specific legal topics (rather than propagandistic political pronouncements) in the discussions in the United Nations is fully consistent with this approach.

An example of a problem that should be susceptible to legal solution is this: What rule should govern financial liability for injury or damage to persons or property caused by a space vehicle accident? It is not beyond possibility that two space vehicles might collide. Perhaps likely to occur sooner is a space vehicle landing by accident or mistake in a country other than that from which it was launched.

In the latter eventuality, is there any obligation on the part of the state to provide assistance to astronauts who may land in their territory unexpectedly? What about the return of the astronauts and the space vehicle to the country from which the vehicle was launched? As of now, there are no agreed rules concerning the obligation of states to provide such assistance or the terms upon which they should do so.

The list of questions that might arise is almost endless. It is conceivable, to take another example, that before many decades a crime may be committed aboard such a vehicle in space. If so, what nation would invoke jurisdiction to investigate the crime and to punish the offenders? Would it be the nation above whose territory the incident occurred, or would it be the nation from which the vehicle was launched?

Again, we are hearing already about trips to the moon and back. If colonization of the moon or some other celestial body should become feasible, what rules will govern the ownership of property there? By what process will rights, if any, be established?

These are the types of questions on which the beginnings of a body of space law might gradually be built.

The law of the sea was not developed overnight. In fact, it is still in the process of elaboration and refinement and there is still disagreement about what the law is. That is one of the things that keep international lawyers busy.

The law of outer space will take some time to develop, too.

It must be remembered that international law is effective only to the extent that it is accepted by nations through their accession to a treaty or convention or through custom and practice over a period of years. A resolution adopted by a substantially divided vote in the U.N. General Assembly on a controversial cold-war issue will not be accepted as law by those nations which vote "no," and it will not have the force and effect of law.

On the other hand, it would appear wholly reasonable to expect the world community to agree, for example, on the rules for assessing liability, damages and means of collection should there be damage to property or persons arising from an accident associated with space research. Other topics that are primarily legal in nature should be equally capable of resolution. If agreement can be reached on this type of question, perhaps the formula by which it was reached can be successfully applied to broader questions relating to the conduct of nations in a world community within the framework of law.

There is some basis for encouragement in the fact that we have achieved an agreement for cooperation with the Russians in space research experiments. The bilateral agreement was an outgrowth of an exchange of letters between President Kennedy and Mr. Khrushchev which was followed by talks between Dr. Hugh L. Dryden of the National Aeronautics and Space Administration and Dr. Anatoli Blagonravov of the Soviet Academy of Sciences. The agreement was announced during the United Nations debate



on outer space last fall. It provides for joint United States-U.S.S.R. experiments in mapping the earth's geomagnetic field, in meteorology and in space communications.

This agreement, though limited in nature, is significant if for no other reason than that it indicates there are some areas in which our two countries have found it possible to cooperate in outer space development. If successfully implemented it can, perhaps, lead to other and broader agreements. The Dryden-Blagonravov agreement relates to scientific and technical matters. It was achieved despite political differences. Similarly, agreement should be possible on some legal questions if we can isolate those questions from political considerations.

Perhaps if we can build on these small areas of agreement an escalation of the arms race into outer space can be avoided. It is conceivable that science and technology, so often in history energized by the threat or event of war, may, through space research and development, pave the way for removal of the barriers erected by hate, fear and suspicion.

#### AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (H.R. 7885) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

Mr. GRUENING. Mr. President, I offer my amendment 317, and ask that it be read again.

The PRESIDING OFFICER. The amendment has already been read and appears in the CONGRESSIONAL RECORD.

The question is on agreeing to the amendment offered by the Senator from Alaska [Mr. GRUENING] to the committee amendment in the nature of a substitute.

Mr. GRUENING. I should like to have the yeas and nays. Apparently there is not a sufficient number of Senators in the Chamber. Therefore I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GRUENING. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRUENING. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. GRUENING. Mr. President, the bill before the Senate makes a minor but, I believe, an important reform in the terms by which development loans are made under our foreign assistance program.

Last week I suggested that the borrowing rate be precisely the same as that which the United States is required to pay, which is in the neighborhood of 3¼ to 4 percent. By a small margin the Senate, in its wisdom, defeated my amendment to accomplish that purpose.

The present amendment is designed to make the interest rate a flat 2 percent. The present Senate version of the bill provides three-fourths of 1 percent for 5 years, and then 2 percent. I can see no reason for that unusual and unsound combination. Loans should be loans and loans with a concealed grant. If the

rate were made as modest as 2 percent, I do not see how anyone could seriously object. Two percent is also the rate in the House version of the bill. If both Houses could agree on that rate, we would have obviated a possible long wrangle which might take place in conference. We want to pass a foreign aid bill. It has been a long time coming. This is a wise, sound amendment. I can think of no reasonable objection to it. I can see no reason why any Senator should object to exacting a modest 2 percent on foreign development loans.

I hope the amendment will be adopted.

Mr. MORSE. Mr. President, will the Senator from Alaska yield?

Mr. GRUENING. I yield to the Senator from Oregon.

Mr. MORSE. Does not this amendment provide the same rate as is provided in the House bill?

Mr. GRUENING. It is identical with the rate in the House bill. If it were adopted, it might obviate a long wrangle and possible deadlock in conference. It would remove one area of conflict. For that reason alone, in addition to its saving of funds, the amendment should be adopted.

We want to move along with the foreign aid bill. It has been greatly improved in the past 10 days. When it goes to conference, there should be eliminated as many areas of conflict as possible. If this modest amendment, which would make the interest rate a straight 2 percent, were adopted, there would be no conflict with the House over this issue, because this provision is identical with the House provision.

Mr. MORSE. Mr. President, I hope the Senate will adopt the amendment. We have reached the time in our foreign aid program when the so-called giveaway feature of our loans must be terminated. The interest rate ought to be more than 2 percent. It ought to be a rate which would cover the cost of the use of the money. However, such a proposal has been rejected.

The House has proposed a 2-percent interest rate. That would bring to an end the three-fourths of 1 percent rate, which hardly covers more than the bookkeeping cost of the loan.

Furthermore, we are not buying friends with the three-fourths of 1 percent loan program. We are not developing in those countries a satisfactory judgment concerning the use to which the money is put, as would be the case if the interest rate were 2 percent.

Also, the 2-percent interest rate would have a salutary effect on the nature of the projects with which those countries would finally initiate.

More important, raising the rate to 2 percent would have great psychological value. It is important to impress upon the recipient countries that the era has passed when the United States will give away its taxpayer dollars. We are willing to lend money to them for sound projects. To help them to compete longer by way of what amounts to a combined loan and grant program, we will offer a 2-percent interest rate, which is less than the cost of the money.

Furthermore, we should think in terms of what is fair to the taxpayers. It is

interesting to observe that other countries, when they enter into any foreign aid program, by and large—there are some exceptions—charge an interest rate in excess of the rate we charge. Sometimes we find ourselves in the position of making loans at low rates of interest, only to learn that some of the money is used to pay off loans that have come due in other countries at a much higher rate of interest. That is not fair to the American taxpayers. It is not only the calamity howlers we hear on this point. Some are howling, but to increase the interest rate would not bring the program to an end. There would still be a strong demand for loans at 2 percent. Stronger projects would result. It seems to me that we have a duty to charge a minimum of 2 percent in fairness to the taxpayers.

Mr. FULBRIGHT. Mr. President, the committee bill contains a provision on loan terms that the committee worked on at some length. The bill now provides a rate of three-fourths of 1 percent for a maximum of 5 years, and a rate of 2 percent thereafter. This is quite a stepup from the administration of the present law, which has included a 40-year limitation and whatever interest terms the President may determine, which have been three-fourths of 1 percent. This is the minimum, of course, throughout the period.

As reported by the committee, the bill retains some discretion for the President, and some flexibility for the new, underdeveloped countries. It is believed to be important that they be given a chance to start with the minimum burden upon their requirements for foreign exchange. In other words, it is desired to enable projects in the newly developing countries to be started without creating a serious problem in the servicing of the loans.

This is not a moneymaking proposal; no one pretends that it is. We are not operating a pawnbroker's shop. This program is strongly influenced by U.S. foreign policy considerations, as distinguished from the operations of the International Bank and some of the other international financial institutions, or the Export-Import Bank. The program is designed to provide for really needy countries. It was never intended, and is not now intended, to make money, but to afford the developing nations an opportunity to get on their feet.

The ultimate repayment, which is the important part, would be promoted by the terms of the committee bill. I believe they would ease its administration.

I hope the Senate will not accept the amendment.

The PRESIDING OFFICER (Mr. NELSON in the chair). The question is on agreeing to the amendment of the Senator from Alaska [Mr. GRUENING] to the committee amendment, as amended, in the nature of a substitute. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.  
Mr. HUMPHREY. I announce that the Senator from West Virginia [Mr. BYRD], the Senator from Michigan [Mr. HART], the Senator from Arizona [Mr.

HAYDEN], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. McCARTHY], the Senator from Oregon [Mrs. NEUBERGER], the Senator from Georgia [Mr. RUSSELL], and the Senator from Mississippi [Mr. STENNIS] are absent on official business.

I also announce that the Senator from California [Mr. ENGLE] is absent because of illness.

I further announce that, if present and voting, the Senator from West Virginia [Mr. BYRD], the Senator from Michigan [Mr. HART], the Senator from Arizona [Mr. HAYDEN], the Senator from Oregon [Mrs. NEUBERGER], and the Senator from California [Mr. ENGLE] would each vote "nay."

On this vote, the Senator from Louisiana [Mr. LONG] is paired with the Senator from Minnesota [Mr. McCARTHY]. If present and voting, the Senator from Louisiana would vote "yea," and the Senator from Minnesota would vote "nay."

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER], the Senator from Colorado [Mr. DOMINICK], and the Senator from Vermont [Mr. PROUTY] are detained on official business.

On this vote, the Senator from Colorado [Mr. DOMINICK] is paired with the Senator from Kentucky [Mr. COOPER]. If present and voting, the Senator from Colorado would vote "yea," and the Senator from Kentucky would vote "nay."

The result was announced—yeas 41, nays 47, as follows:

[No. 229 Leg.]

YEAS—41

Allott	Fong	Proxmire
Bartlett	Goldwater	Robertson
Beall	Gruening	Scott
Bennett	Hruska	Simpson
Bible	Jackson	Symington
Burdick	Johnston	Talmadge
Byrd, Va.	Jordan, N.C.	Thurmond
Cannon	Jordan, Idaho	Tower
Cotton	Long, Mo.	Walters
Curtis	McClellan	Williams, Del.
Dodd	Mecham	Yarborough
Eastland	Morse	Young, N. Dak.
Ellender	Mundt	Young, Ohio
Ervin	Pearson	

NAYS—47

Aiken	Hill	Miller
Anderson	Holland	Monroney
Bayh	Humphrey	Morton
Boggs	Inouye	Moss
Brewster	Javits	Muskie
Carlson	Keating	Nelson
Case	Kennedy	Pastore
Church	Kuchel	Pell
Clark	Lausche	Randolph
Dirksen	Magnuson	Ribicoff
Douglas	Mansfield	Saltonstall
Edmondson	McGee	Smathers
Fulbright	McGovern	Smith
Gore	McIntyre	Sparkman
Hartke	McNamara	Williams, N.J.
Hickenlooper	Metcalf	

NOT VOTING—12

Byrd, W. Va.	Hart	Neuberger
Cooper	Hayden	Prouty
Dominick	Long, La.	Russell
Engle	McCarthy	Stennis

So Mr. GRUENING's amendment to the committee amendment, as amended, was rejected.

Mr. FULBRIGHT. Mr. President, I move that the vote by which the amendment to the committee amendment, as amended, was rejected be reconsidered.

Mr. HUMPHREY. Mr. President, I move to lay on the table the motion to reconsider.

Mr. GRUENING. Mr. President, on this question, I ask for the yeas and nays.

The yeas and nays were not ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Minnesota to lay on the table the motion of the Senator from Arkansas [Mr. FULBRIGHT] that the Senate reconsider the vote by which the Gruening amendment to the committee amendment, as amended, was rejected.

The motion to lay on the table was agreed to.

Mr. MORSE. Mr. President, I offer my amendment No. 316, and ask that it be stated.

The PRESIDING OFFICER. The amendment of the Senator from Oregon will be stated.

The LEGISLATIVE CLERK. On page 33, line 2, it is proposed in lieu of "\$225,000,000" to insert "\$220,000,000".

On page 40, line 5, it is proposed in lieu of "\$400,000,000" to insert "\$350,000,000".

Mr. MORSE. Mr. President, before I turn to the amendment, I wish to comment on a statement made last night by the committee chairman which appears on page 20531 of the RECORD, dealing with my contingency fund amendment. The Senator from Arkansas [Mr. FULBRIGHT] said:

Mr. President, I wish to take only 2 or 3 minutes to say that I believe the amendment would be a very serious setback to the Alliance for Progress program. All loans are directly or indirectly made for the purpose of supporting the balance of payments. The main purpose of the whole program, whether it be in Latin America or anywhere else in the world, is to provide the means by which the recipient country can import materials which it cannot produce. This is particularly true of Latin America. It is very difficult for me to think of loans which would not come under the prohibition of the pending amendment, particularly with regard to the balance of payments.

The theses of my argument were that there existed many loans that would not come under the amendment. The AID officials themselves so admit. They know what loans would not come under it, contrary to the views of the chairman of the committee.

The Senator from Rhode Island [Mr. PELL] had printed in the RECORD a table which he obtained from AID. The table lists the loans, and, of course, it lists the classifications that would come under my amendment. The list is as follows:

1. Development project loans and grants, percent of total.
2. Development program loans, percent of total.
3. Balance-of-payment financing, percent of total.

That is what came under my amendment.

4. Budget support loans and grants, percent of total.

That is the other classification that came under my amendment. The first two groups—development project loans and grants and development program loans—did not come under the amendment. They could not come under the amendment. AID recognizes this fact. They maintain their own category of dif-

ferentiation. I merely wished to put that statement into the RECORD because I knew whereof I spoke when the amendment was offered and knew the distinctions among such loans.

AMENDMENT NO. 316

I turn now to the consideration of my amendment No. 316. The amendment would combine and revise my earlier amendments numbered 256 and 257. Those amendments may be offered separately later with different figures.

The material on page 33 of the bill deals with both the grants and is section 212 of title II. My amendment would reduce the figure of \$225 million proposed by the Foreign Relations Committee to \$220 million, thus bringing it closer to the House figure of \$217 million.

Mr. President, I am being very considerate when I propose a cut of only \$5 million in the program. I am not proposing more because the program does deal with projects, although great savings could be made and great waste could be eliminated in some of the project loans.

The material on page 40 of the bill deals with supporting assistance, and is chapter 4 of the program. My amendment would reduce the \$400 million proposed by the Foreign Relations Committee for supporting assistance to \$350 million. That is a small amount. It could very well be much larger. Yesterday I indicated, and wish to indicate now, that I hope some understanding can be reached during today, tomorrow, the next day, or next week—the earlier the better—whereby the cut in the Senate would be \$500 million, which would leave a Senate version of \$3,700 million and a House bill of \$3,500 million. It is impossible to say what the conference would do, but I do not think it would do much better than split the difference. But why delude ourselves? I do not believe that there is a Senator who believes that the final appropriation will be any considerable amount, if any, over \$3 billion. When the two Appropriations Committees go into conference, they will probably be compromising between approximately \$2.7 billion and \$3 billion.

Mr. GRUENING. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. GRUENING. We speculate on the total amount of the bill, but, as I have proposed, the bill should be examined country by country. Today in the news we read that another country has eliminated itself voluntarily from our aid. Cambodia has said that it does not want our aid, either economic or military.

Mr. MORSE. Unless we take her dictation.

Mr. GRUENING. It does not want our military aid nor our economic aid. It wants us to get out. Cambodia is one of the so-called dominoes in the Far East that we do not want to see fall. But this has now become Cambodia's choice and decision. Cambodia is a middle domino which has taken itself out voluntarily.

Will our foreign aid administrators go to Cambodia and insist that it must



take our money? Obviously not. At least I assume not. So there is approximately \$18 million or \$20 million which we can take off the total.

As I said on the floor the other day, we should go through the list of countries one by one. We should determine the countries that would be eliminated by the Church amendment. They are the countries that are prosperous, made so by U.S. aid—France, West Germany, the United Kingdom, the Netherlands, Belgium, Spain, and Japan. We should take out the aggressor nations which have been barred by specific amendments, such as Egypt and Indonesia. We should take out the countries that have been dropped from the program—more or less as they should be—because they have received enough aid. I refer to such countries as Israel, Lebanon, and Greece. We should consider Taiwan. If we would do so, we would arrive at a figure which is much more reasonable than that which is now being discussed.

Though it is all very proper to make them. I do not believe in blanket cuts. I think we should approach the question in a scientific, scholarly, studious, and detailed manner. We should consider the program country by country and find out what the countries have been doing. In the past 2 days we have had ample confirmation of the fact that Argentina and Brazil do not qualify under the rules established by mutual agreement of the American Republics at Punta del Este. These two, Brazil and Argentina, do not want any part of that program. They do not want to revise their economy. They make no effort to stop inflation. They shy at making the needed reforms. President Goulart has said as much. He said that the Alliance program is no good. Although we have poured \$2.5 billion into Brazil, he did not have the courtesy to mention our generous contributions. Argentina has rebuffed Secretary Harriman's efforts to obtain a square deal for the American oil companies and to abide by agreements made with them. There goes the Argentine.

As we debate, we may find that more and more countries will drop out for one reason or another either because they "want out" or because they are obviously disqualified. So I believe the estimates which the Senator from Oregon makes are very generous. It is much more likely that the program will be cut further, and the cuts will improve the program, because they will enable us to concentrate on the countries which are qualified and are trying to do their part in self-help, which wish to "play ball" with us, by establishing a program that will be fiscally sound and make the necessary reforms. So I invite the attention of Senators to the fact that as every day passes this country-by-country approach seems much more logical, reasonable, and proper.

Mr. MORSE. Does the Senator from Alaska propose to have the article published in the New York Times on Cambodia printed in the Record?

Mr. GRUENING. Yes, Mr. President, I ask unanimous consent to have printed in the Record an article published in the New York Times of November 12, 1963,

entitled, "Cambodia To End U.S. Aid—Says Troops Must Go," with the sub-heading "We Will Be Poorer, But More Independent," Prince Says." That is Prince Norodom Sihanouk.

There being no objection, the article was ordered to be printed in the Record, as follows:

[From the New York Times, Nov. 12, 1963]

**CAMBODIA TO END U.S. AID—SAYS TROOPS MUST GO—"WE WILL BE POORER, BUT MORE INDEPENDENT," PRINCE SAYS—CHINESE COMMUNISTS TO BE ASKED FOR ASSISTANCE**

PNOM PENH, CAMBODIA, November 12.—Prince Norodom Sihanouk renounced today U.S. military and economic aid as of January 1, 1964, and said French and American troops must leave his southeast Asian kingdom.

There was no indication that the neutralist head of state would renounce the aid he has been receiving from the Soviet Union, Communist China and other Communist countries. He said he would call in five Chinese Communist experts to help organize state control.

Only yesterday the Prince announced the nationalization of import and export business here and the nationalization of Cambodian banks as of the end of next June. He called the moves part of his program of advanced socialism.

Prince Sihanouk, who stepped down as king so he could rule more firmly as chief of state, has received about \$365 million in U.S. aid since his country became independent in 1955. At that time French Indochina was divided into Laos, Cambodia, and North and South Vietnam.

The Cambodian leader has tried to maintain a strictly neutral role in southeast Asia. In announcing his decision to give up American aid he said at a news conference that "by this measure we will be poorer but more independent."

There was no sign that Prince Sihanouk planned to abandon his neutrality in the cold war. But in recent years he has been increasingly annoyed with the United States for the vast military aid given to neighboring Thailand and South Vietnam.

Border clashes have been frequent with South Vietnam, and on August 20, 1962, the Prince asked the 14-nation group that wrote the cease-fire agreements for the civil war in Laos to meet again to guarantee Cambodia's neutrality.

Most of the Communist countries agreed, but the United States and Britain were lukewarm. President Kennedy suggested that interested countries reaffirm their respect for Cambodian integrity and independence.

Prince Sihanouk said this was not enough. He later threatened to ask Peiping to send in enough forces to discourage aggression.

#### U.S. OFFICIALS CONCERNED

WASHINGTON, November 12.—Officials expressed concern today over the announcement by Prince Sihanouk.

Cambodia, which is about the size of Utah, has a strategic importance in the cold war that overshadows its dimensions. The United States keeps about 60 men there to oversee the military aid program, which last year totaled \$10.4 million. Economic aid was put at \$18.8 million in 1963.

Some officials were disturbed by the possibility that Prince Sihanouk might draw Cambodia closer to the Communist bloc, particularly Communist China.

Cambodia is bordered by South Vietnam, Thailand and Laos. If she shifted away from her nonalignment policy she could drive a wedge between Thailand and Vietnam, creating a serious situation for the United States on the Indochina peninsula.

Mr. MORSE. We are dealing with a kingdom.

Mr. GRUENING. Yes.

Mr. MORSE. This great democrat in Cambodia is a monarch. If we read the article, it is clear that if we should surrender to his dictation he might condescend to take more American aid, but on his terms, of course. That is what is wrong with much of the foreign aid program.

I am glad the Senator made mention of the so-called domino theory. It has always been highly fallacious, but as the Senator says, Cambodia is not the end domino but a middle domino. It will merely withdraw from the line.

One of the great fallacies is that we require the so-called domino countries for the defense of American interests in the Pacific. That is complete nonsense. It has always been nonsense. The American position in the Pacific and the defense of those countries as well happen to be dependent upon the U.S. 7th Fleet, the American air armada, and the thousands and thousands of American boys in uniform scattered throughout the Pacific.

In most of those countries, 10 Boy Scout troops could lick their armies. In many of those countries there is no will to fight. Yet we continue to pour into those countries heavy dosages of military aid, and we pay their armies out of the pockets of American taxpayers, as a sort of employment program.

They are most remarkable armies. They go into battle and come out either with no casualties or no wounded or only a few scratches, because they have no will to fight. We have been "taken for a ride" in this entire program in that part of the world. As one Senator, I am not going to vote for it.

I was opposed to our going into South Vietnam, and I am opposed to staying there and do not intend to vote to murder American boys in South Vietnam. We are not going to get any effective military fighting out of the South Vietnamese. We should pay attention for it may be only a few years before they will be making a deal with the North Vietnamese, anyway.

I am for protecting American interests in the Pacific, but I am for protecting them with American forces—the American naval, air, and land forces. Any time those countries want to offer to go along with a program of sound foreign aid, in which they will agree to help themselves and get off the American dole, I will begin being interested in some foreign aid in that part of the world.

Mr. GRUENING. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. GRUENING. Does not the defection, if we can call it that, of Cambodia, from our foreign aid program, in the judgment of the Senator from Oregon, necessarily give us pause for consideration of a revision of our military policy in southeast Asia?

Mr. MORSE. Of course, I believe there should be a revision of our military policy in South Vietnam. There is an article in this morning's press about

one of our generals who has been in charge of the American military program in South Vietnam, who is reported to be not in the best of grace with the new regime. So, I suppose we will once again surrender to that group of politicians. I do not know what the outcome will be, but we should not downgrade American generals and American military forces anywhere, including South Vietnam.

Mr. GRUENING. Is it not also obvious that, although our military assistance program has not been materially modified in recent years, strategic considerations have very greatly changed, as demonstrated by the success of the great airlift, which has proved that in a matter of a few hours we can transport the troops necessary to any given point?

Why must we support standing armies in all kinds of little countries, in some of which as the Senator from Oregon has said, there is not even the will to fight?

Mr. MORSE. All the world—including, incidentally, West Germany—knows that protection of freedom is dependent upon U.S. nuclear power. All Europe knows that if Russia makes an offensive move against a NATO ally, under our commitments she will be confronted with American nuclear power. The sad and awful thing about it is that we, too, will be confronted with nuclear power. That is the terrible gamble and risk mankind is running.

I do not propose to vote to weaken the greatest defense weapon we have, the American economy, which makes possible our nuclear power, until that glorious day of peace, when all mankind comes to its senses and recognizes it must have an enforceable disarmament program that will bring an end to this insane nuclear armaments race. That probably will not happen in the Senator's time or in mine; but we cannot justify continuing to undermine the American economy, as we are doing, with so much of this foreign aid program—the President's speech in New York last Friday to the contrary notwithstanding.

I reiterate by reference at this moment to the criticisms I made of that speech yesterday on the floor of the Senate. In my judgment, it was not a sound speech.

With respect to what Europe knows and what we have demonstrated by the airlift program, as to how fast we could move men to Germany, if we wish to move men—we will not be using many men in a nuclear war—that airlift was a great demonstration of American military efficiency, might, and power.

But, what did our Secretary of State do? In spite of that demonstration, he assured Erhard that we will not bring our American boys home. We should bring home four divisions. That would have a terrific effect on the American balance-of-payments problems. It would have a great effect on the American economy. I know that is political heresy for a Democrat to utter on the floor of the Senate. I do not mind being a heretic, when I know I am right, and when I know I am supporting the best interests of the American taxpayers, as the American taxpayers are going to make perfectly clear in the months ahead.

A good many persons are not thinking ahead as to what the position of the American people will be.

Mr. GRUENING. I am confident that when the bill, in its vastly bettered form, is passed by the Senate, there will be almost universal approval in our country of the improvements that have been made under the leadership of the Senator from Oregon. If any criticism is to be made, it may be that we have not gone far enough.

Mr. MORSE. We have not gone far enough.

Mr. GRUENING. But that is not because of any lack of enthusiasm or energy on the part of the leaders or of Senators who have sought to improve the bill.

Mr. MORSE. I do not know about that; all I know is that we have not had the votes. A majority should have stood with us.

Mr. GRUENING. That is correct.

Mr. MORSE. For example, last night, in connection with the contingency fund, we tried to end a misuse by the President of the United States of the taxpayers' dollars in a contingency fund, whereby the President and his predecessors poured millions of dollars into balance-of-payments and budget support programs in Brazil, the Argentine, Ecuador, and, of all places, Indonesia, and other countries in the world. But the American people do not know such ugly facts. They do not know that Congress has voted the President of the United States unchecked discretion to spend, at his will, without obtaining prior approval of the Congress for the specific amount of money he wished to pour into some country's "slipping" money, or budget support money.

We must inform the American people in the months ahead. I am convinced of the sound judgment of the American people once they grasp an understanding of the abuse of Presidential power.

Under our system, I do not think any Congress can justify voting to give any President such unchecked discretionary power to take, at his will, millions of dollars of the American taxpayers' money and say to the President of Brazil, "You can have it for budget balancing, for budget support," when we in this country have a serious deficit, running into billions of dollars, and when we have such a serious balance-of-payments problem that some of our leading economists are very much concerned about the American gold supply.

When will there be a stop to the raiding of the U.S. Treasury? When will there be a stop to the raiding of the pockets of the American taxpayers? I will tell Senators when—when the American taxpayers obtain the facts and enter that great citadel of freedom, the voting booth, and hold officials to an accounting for such malpractices.

I thank the Senator from Alaska for his contribution.

Speaking of the pending amendment, I fully appreciate that taken together, these changes would reduce the pending bill by only \$55 million. To some, it would appear that to discuss figures amounting to less than \$100 million is to waste the time of the Senate.

But \$55 million is not chickenfeed. If we add the 5's and the 10's and the 25's and the 50's, a careful pruning of the bill adds up to a substantial accumulated saving for the American taxpayer. That is the objective of the Senator from Oregon and my wonderful colleagues who have stood with me in this fight in the Senate to bring about, at long last, some reforms in the shocking foreign aid program.

I consider such a saving to be important because it deals with grant programs. Supporting assistance is, in particular, a source of concern to me for the reason that, if we are ever to get foreign aid on a loan rather than a grant basis, we will have to see the end first of supporting assistance.

"Supporting assistance" is a deceptive phrase. We must watch the State Department when it uses such phrases. It uses genteel words that have a tendency to lull public opinion. They act as opiates. Explanation is in order for the record as to what "supporting assistance" involves.

Supporting assistance is most frequently the category used for political purposes. It is the most frequently used to enable other nations to balance their budgets, a goal that we are willing to go into deficit financing in order to help others achieve. Supporting assistance is nonproject grant aid.

Supporting assistance is nonproject grant aid. No forensic weeping should be heard on the floor of the Senate, from any of the spokesmen for the President, about any interference, in this amendment, with project aid, for in connection with supporting assistance there is not a project involved. What is involved is an attempt to stop American support of the Brazilian budget. Even if the President of Brazil had not made his attack yesterday on the United States, I would say this. Why should we grant a dime to the President of Brazil to shore up his budget, when the President of Brazil has made an economic record as worthless as an infertile goose egg? If anyone can tell me anything more valuable than an infertile goose egg, I would like him to tell me what it is.

The President of Brazil has done nothing about inflation in that country. He has done nothing to carry out the commitments his Finance Minister made in Washington a few months ago—the so-called austerity reform Brazil was supposed to inaugurate, and the great program in the field of fiscal reform Brazil was to inaugurate, if she could get only a few more million of dollars for budget support, for supporting assistance.

We are taken for a bunch of suckers in conference after conference. Our State Department falls for it, and the American taxpayers are rooked. The press does not like that word. It has criticized me for saying that the American taxpayers are being rooked. The American people know what it means, and the press knows what it means. But if the press engaged in a Pravda line of supporting the administration on the foreign aid giveaway program, it does not like specific language that leaves no room for doubt as to what I mean.



Mr. MILLER. Mr. President, will the Senator yield?

Mr. MORSE. I yield to the Senator from Iowa.

Mr. MILLER. In connection with the comments on Brazil, it might be well to show at this time that for the fiscal year 1963 Brazil received \$67,200,000, in development grants and loans, and \$61 million in assistance under Public Law 480.

I point out further that while this was going on Brazil was unable to pay \$287,000 in back assessments to the United Nations for 1961 and prior years.

The point I am making is that one wonders why, with \$61 million in Public Law 480 assistance and \$67,200,000 in development loans and grants, somehow or other Brazil was unable to become current in its payment of assessments to the United Nations.

Mr. MORSE. I thank the Senator very much for bringing out those facts. While those are startling enough, I shall cite even more startling figures as to what Brazil has been getting.

The amendment is offered not only on behalf of the Senator from Oregon, but also the senior Senator from Louisiana [Mr. ELLENDER].

He is known familiarly and affectionately in the Senate as the "Little Giant." So far as I am concerned, he is a big giant. I wish to pay my respects to him. He has been far ahead of us for many years in connection with the need for reform in foreign aid. When some of us were still engaged in the luxury of wishful thinking and hoping that the State Department would bring about some needed changes in the foreign aid program, and when year after year in the Foreign Relations Committee I participated in the debate, and when we pleaded with the State Department to do something about it, the Senator from Louisiana [Mr. ELLENDER] year after year stood on the floor of the Senate and forewarned us of many of the things which now have become known as facts to all Senators.

It has been a long time coming. I thank the Senator from Louisiana publicly for the privilege that I have had of working with him on the bill this year and standing shoulder to shoulder with him as we fought on amendment after amendment to try to protect the interests of the American taxpayer.

I had made the point that supporting assistance was nonproject grant aid. In that respect, it is far more deserving of elimination than development grants, because development grants go into specific projects that may be in the nature of education, health, or some similar social improvement that does not repay itself on a scheduled basis, but which nonetheless can be evaluated for its impact upon the welfare of the people.

The small amount that I am recommending in development grants is much smaller than what really should be offered, but the amendment makes a package, along with the \$50 million proposed cut in supporting assistance of \$55 million. I repeat that it is not true that supporting assistance goes into projects. For the most part it goes into budget support in countries which have not been willing to adopt reforms that they ought

to adopt, in order to settle their own budget problems. The Senator from Iowa [Mr. MILLER] and the Senator from Alaska [Mr. GRUENING] have been pointing out the great deficiencies which have prevailed in Brazil. Yesterday we were treated to an anti-American speech by the President of Brazil, whose country has been the recipient of millions of dollars of supporting assistance and contingency fund assistance from the President of the United States, but who is opposed to any arrangement being arrived at in São Paulo for a multilateral group to study and evaluate the Alliance for Progress programs. Apparently he is a "go-along-alone-er." He is the President of a country which has been the beneficiary of millions of dollars of misused presidential contingency fund money, unknown at the time to Congress or to the American taxpayer.

It is never safe in a democracy to give any administrator of government—President, Senator, Congressman, sheriff, constable, or anyone else—unchecked discretionary power. That is when abuses develop. A procedure that permits abuse is a bad procedure, and restrictions ought to be written into it that will check the abuse.

Last night I gave the Senate an opportunity to write restrictions. That was a vital rollcall. The voters of America should pay attention to that yea-and-nay vote, for that vote shows that the majority of this body is willing to let the President of the United States continue with unchecked discretionary power.

We cannot reconcile that procedure with our representative form of government. We cannot reconcile it with our system of checks and balances, which is so essential to maintain and preserve and protect the freedom of the American people.

We are dealing with support assistance, which ought to be checked. Support assistance is the American dole to countries that refuse to initiate reforms. Support assistance is a dole to the President of Brazil, for the runaway inflation that has gone over 100 percent, to the president of a country that refuses to adopt economic reforms which are necessary to stabilize the country, to a president of a country whose wealthy oligarchs make money from American foreign aid and sink it in New York and Swiss banks, not in the future of the economy of their country.

That is the problem we are dealing with.

Mr. President, after a series of conferences, I announce a modification of my amendment No. 316, by striking out lines 1 and 2 of the amendment. This modification of my amendment would eliminate from consideration any cut in the development grant program.

Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER (Mr. BREWSTER in the chair). The Senator from Oregon will state it.

Mr. MORSE. Is it true that I have the parliamentary right to modify my amendment?

The PRESIDING OFFICER. The Senator from Oregon has the right to modify his own amendment.

Mr. MORSE. I thank the Chair.

I announce that at a later hour amendment No. 257 shall be called up, which deals directly with development grants. Several Senators have told me they will support that part of my amendment which deals with support assistance, but they find it difficult to support a cut in development grants. In order to separate the two issues, I have modified my amendment accordingly.

Mr. CHURCH. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. CHURCH. I am pleased to learn that the Senator from Oregon has chosen to modify his amendment by striking from it that part which would reduce the technical aid program. I ask the Senator whether this leaves the amendment in such form as to be limited to defense support exclusively?

Mr. MORSE. That is correct.

Mr. CHURCH. Does the amendment now provide for a reduction in the defense support program from \$400 to \$360 million?

Mr. MORSE. To \$350 million.

Mr. CHURCH. To \$350 million?

Mr. MORSE. It would be a \$50 million cut.

Mr. CHURCH. I should like to support the Senator in his objective. He knows that I have long felt that the program of military support assistance is open to very serious question, because this is the kind of aid we are giving some countries that receive an excessively large slice of the American aid "melon." Therefore, I believe the amendment would reach through to some of the countries the Senator and I discussed yesterday in the course of our colloquy in the Chamber. I feel that we need to take into account the action which has already been taken in the other body, where this particular item was reduced to \$380 million.

If the Senate were to approve the amendment offered by the Senator from Oregon in its present form, it would mean that the Senate would reduce this item \$30 million below the House figure. In view of the large cut that has already been approved in the House, I am not prepared to cut this item below the House figure.

If the Senator from Oregon were willing to modify the amendment and substitute the House figure of \$380 million, the result would be to effect another \$20 million cut and reduce this item to the same level as the House figure. If the amendment were so modified, I would support it. In fact, I would like to join the Senator in offering the amendment in such modified form.

Mr. MORSE. I appreciate the suggestion of the Senator from Idaho and shall give it careful consideration. I am not in a position at the present time to accept the suggestion, because of my commitment to other Senators and because of another problem I frankly presented to the Senator from Idaho and other Senators.

This is one place where the House could have cut the item more than it did and left us a sounder foreign aid bill. The Senate could take \$50 million off the authorization for supporting assistance and

have a much sounder bill. But I have suggested to some of the proponents of the bill that we ought to face the reality of what the final appropriation is likely to be. In my judgment, it will not be more than \$300 million, and probably not that much. If we are to have a conference with the House, it would be well to have figures below the House figures, at least for consideration.

Be that as it may, I had hoped that some understanding could be reached on an additional \$40 million cut. It would bring the total cut in the Senate to \$500 million. It stands at \$460 million now. Although we could save more money, so far as I am concerned that would be a pretty workable figure to take to conference. It would save much time because, unless we can arrive at what we think is a workable figure, we shall have to continue to try to cut the authorizations in the bill amendment by amendment, which will involve a list of amendments providing for cuts country by country.

I have said that I do not believe that defeating those of us who believe this cut should be greater by yea and nay votes—which will continue to show, I am sure, a substantial number in this body who are fed up with the bill and the programs it represents—is helpful to obtaining ultimately good foreign aid support in this country. But if that is the way the administration wants to operate, it is all right with the Senator from Oregon. I will not be deterred by what probably was a very unsound speech of the President in New York City the other night. The President himself, or his secretary ought to be in consultation with us on this subject. We have no intention of stopping the fight. We are going to give the Senate an opportunity to work its will amendment by amendment.

I thank the Senator from Idaho very much. I am not rejecting his suggestion and shall go into consultation with other Senators about it later. However, this is the place where the administration could agree to take another \$40 million cut and have a stronger bill, because if there is one area which we ought to reform, it is in connection with supporting assistance.

Supporting assistance is the payroll on which we put nations all over the world that are unwilling to put their economic houses in order and unwilling to live within their means.

We offer to make up the difference between the scale on which they want to live and the scale on which they can afford to live, and we do it with supporting assistance, at the expense of the American taxpayer.

Supporting assistance goes into a nation's budget and is forever lost to the sight of the American taxpayers whose money it was. Wherever there is a country in the world receiving supporting assistance, there is a country that wants a military machine that it cannot support, or maintains inefficient socialized industries that are really used to give jobs to the unemployed, or a country that is simply thought to be important to us for political reasons.

In my opinion, none of these reasons justifies our giving them supporting assistance. I invite Senators to come to

my desk and inspect the list I have prepared of major recipients of aid around the borders of the Communist bloc, which shows how much supporting assistance they are down for in fiscal 1964.

I cannot read the figures, because they are marked "top secret." They should not be top secret. There is no reason why the American taxpayer should not be informed of these figures. I can put in the Record, and I shall, the figures for fiscal 1963, 1962, 1961, and 1960, and from the beginning of the support assistance program, but we must not disclose to the American people the figures for 1964. Such a procedure cannot be justified. I wonder why we cannot disclose the figures. All the reasons given are fallacious. It is argued that if we disclose this information, some of the countries that do not receive as much as others will request more, on the ground that they are being discriminated against. That is more nonsense.

It is argued that we should not disclose information that would be of use to our potential enemies. Does anyone believe that Russia does not know that we give substantial support to certain countries? Of course she does. I am more inclined to think that we cannot make the figures public because the Government does not want the American citizen to know, because the American citizen might not be kind about it. I hope the American people will not be kind about the program itself, and will be more unkind because their Government will not take them into its confidence. I am not going to support that kind of government by secrecy. There is little I can do about it, because my lips are sealed, as a member of the Foreign Relations Committee, by the "top secret" label. I do not propose to engage in any improper course of action. Let Senators take a look at the millions of dollars that it is proposed to give to countries which ought to be told, "Your Santa Claus period is over. It is not going to be Christmas for you 365 days a year any more, with Uncle Sam putting on the attire of Santa Claus. You must stop it."

All my present amendment proposes to do is to make a cut of \$50 million. That is long overdue. I hope that the Senate will adopt the amendment. None of the reasons given justifies our giving supporting assistance. That is why I invite Senators to inspect the list I have prepared of major recipients of aid around the borders of the Communist bloc, which shows how much supporting assistance they are scheduled to receive in fiscal 1964. The figures show a total far under the \$350 million I am proposing. One of the arguments of the State Department is, "We must give this supporting assistance to countries on the periphery of the Communist bloc." The total indicates that many countries which are not on the periphery of the Communist bloc are to receive millions of dollars of support assistance. That is why I say that the figures show a total far under the \$350 million that I am proposing in my amendment so far as countries on the periphery of the Communist bloc are concerned.

Even so, the supporting assistance to many countries should be drastically cut,

even if they are on the periphery of the Communist bloc. Supporting assistance to nations in Latin America, which are not included on the chart, should probably be eliminated altogether.

We have agreed to a \$10 billion Alliance for Progress program for the next 10 years for Latin America. We have entered into two agreements with Latin American countries, the Act of Bogotá and the Act of Punta del Este. They are signed agreements, in which commitments were made by our Latin American friends that they would submit plans, which were to be submitted in advance of approval for Alliance for Progress funds. Such plans would outline the program of economic reform and other reforms essential in those countries if there is to be any hope of their becoming stable economies.

Only eight countries have submitted plans, and many of those plans need drastic revision, because the mere submission of a plan which is not sound and feasible does not entitle the particular country to Alliance for Progress funds. However, certain countries have circumvented the Acts of Bogotá and Punta del Este by obtaining funds from other sources.

A major source is supporting assistance funds. We are not going to make the Alliance for Progress program work if we are to give these countries an escape hatch which they can use to walk out on their obligations under the Alliance for Progress program.

Brazil and Argentina are two notorious examples. That is why I say that for Latin American countries supporting assistance money should be cut off entirely, and we should say to them, "Keep the commitments you have made in exchange for our proffer to cooperate with you in the Alliance for Progress program."

When we permit Latin American countries to obtain money from the supporting assistance program, we are a party to defeating the Alliance for Progress program.

I put into the Record yesterday the article written by Tad Szulc of the New York Times at São Paulo, Brazil, showing the stagnation in the economies of one Latin American country after another, and pointing out that, instead of the situation improving, it is growing worse. We do not have enough money in this country. We could pour all the wealth of the United States into Latin America and it would all go into a sink-hole, and not stabilize those countries. The leaders of those countries and the people of those countries must be willing to reform their economic and political systems.

The President can say all he wants to say in New York City about the rich helping the poor. Having only 6 percent of the world's population, the United States cannot solve the problems of poverty throughout the world.

Furthermore, we had better take a look at some of our own domestic needs. The President makes a nice sounding, plausible, emotional argument when he talks about this program being a moral issue. Some basic moral issues are involved in the fight over the foreign aid



bill. One of them is that it is about time this Government started treating the American taxpayers fairly and stopped sinking millions of American taxpayers' dollars into sinkholes on the basis of some political slogan to the effect that the rich must help the poor.

When countries in which millions of poverty-stricken people live are willing to reform themselves, we will then go in on the basis of sound economic projects and be of assistance to them. But the rich of Brazil, the rich of the Argentine, the rich of Ecuador, and the rich of every other Latin American country must stop making huge profits out of the American foreign aid program in Latin America, and depositing such profits in New York and Swiss banks, while American taxpayers, through their Government, through their support of the assistance program, and through the Presidential contingency fund, pour millions upon millions more of American taxpayer dollars into Latin America.

I yield to no other Senator in my capacity as chairman of the Subcommittee on American Republics Affairs, in my desire to make the Alliance for Progress work. Together with many others, I worked hard to help bring the program into being in the first place. But some of the fiscal policies being followed by our Government may defeat the Alliance for Progress, and this is one of them. We cannot justify a dollar of supporting assistance to Brazil, Argentina, or Ecuador, so long as those countries' governments take the position, which they have taken to date, of not fulfilling their commitments under the Alliance for Progress.

Yesterday the United States was the subject of an insulting speech by the President of Brazil, who raised the question as to whether American aid is really of any value to Brazil. That is gratitude. How long shall we take it? How long will this administration take it? How many more millions of dollars will the President, through his contingency fund, pour into Latin America? I have tried to give the Senate an opportunity to check it. I gave it that opportunity last night. I shall figure out other parliamentary ways of giving the Senate another opportunity before the debate is concluded, for that hole must be plugged.

The Senate cannot justify allowing millions of dollars of supporting assistance funds be spent in this manner. Funds spent this way defeat some of the most precious objectives of the American foreign policy. One of them is the objective of a workable Alliance for Progress. That is why I have said in this speech that, in my judgment, all supporting assistance to Latin America probably should be stopped, and the Latin American countries told that we have a program to help them, the Alliance for Progress, but that, of course, it creates obligations upon them to do something to help themselves. They must reform the system that has brought them into the stagnation that Tad Szulc reported in the previously mentioned article.

The main reason why the Latin American economy is stagnate is that our Latin American friends, in country after

country, are refusing to adopt the economic changes that are essential if they are to have a stable, growing, expanding economy, instead of a stagnating, degenerating one.

Ever since the closing years of the Eisenhower administration, we have been told that American foreign aid is now more than 60 percent loan and less than 40 percent grant. That figure relates only to economic aid; if it took into account military aid, which is all grant, the percentages would be reversed. The statistics of the State Department are inaccurate, in the sense that what they include as loans do not meet the definition of loans in the terminology of the American taxpayer. A loan at three-fourths percent interest, with from 40 to 50 years to pay and a 10-year grace period in which not a cent has to be paid, is not a loan.

Furthermore, I ask Senators to put it down in their memory, for future recollection, that the largest percentage of those loans will never be repaid. It will be only a few years until speeches will be made on the floor of the Senate urging the forgiveness of those loans because the countries have not made a move to repay them. It will be argued that we must not play the part of Shylock. It will be argued that the failure to repay is creating friction, misunderstanding, and problems; and that therefore, in our great generosity, we ought to forgive those loans. That is the way this game is played.

It is time to write a new rulebook for the State Department, and to say, "You must play from now on in accordance with the rules of this rulebook. You will no longer have the opportunity to filch from and milk the taxpayers of this country in a program that is so economically unsound as the program involving, for example, supporting assistance."

Mr. DOMINICK. Mr. President, will the Senator from Oregon yield?

Mr. MORSE. I yield to the Senator from Colorado.

Mr. DOMINICK. In connection with the Senator's point as to whether loans will be repaid, an interesting table appears on page 712 of the hearings, to which I referred yesterday. As to the repayment of loans, the table shows that for Alliance for Progress loans, which have been in effect for only a few years, \$13,858,789.97 has been disbursed. Under the heading "unrepaid balance," the identical amount is shown. There has not been a single instance of repayment of such a loan.

Secondly, as to the overall loan disbursements, the table shows that we have disbursed over a long period of years \$6,517,974,743.06, while \$5,728,534,659.28 is still owed to us. In other words, about 90 percent of the total amount that has been loaned in the program through the years is still owed to us.

Mr. MORSE. It is my opinion that at least 50 percent of the money will never be repaid under this kind of unsound fiscal policy.

Mr. DOMINICK. I agree.

Mr. MORSE. To devise a loan program that is actually a loan program,

we should say to the borrower, "These are the terms and conditions on which the loan will be made. You will have to undertake certain obligations to obtain the loan. You will have to pay an interest rate that will cover the cost of the use of the money to the American taxpayers. You will pay for the service rendered."

Then the borrowers will pay some attention to their investment of that money, and will put it into economic projects which will do economic good for the mass of the people. They will be projects which will pay out. That is what I call exporting economic freedom, and that is what we should be exporting, because until there are established in those countries systems of economic freedom based upon sound fiscal policies, the people of those countries never will be saved from poverty and degeneration.

It is interesting to note that the Foreign Relations Committee in its unsigned report made a good many criticisms similar to mine, but the committee "passed the buck" to the administration; the committee slapped the administration on the wrist, and said, "Next year, bring us a program which will take into account some of these criticisms." But the committee cannot "pass the buck" insofar as its responsibility to the American people is concerned, for if all the things the committee has said all along are wrong with the program are wrong with it—and there are also many other things about it that are wrong—the committee had an obligation in writing the bill to proceed to correct all the wrongs it knew about in the program. If the committee had done that, we would not have had to turn the Senate into a Committee of the Whole to proceed to rewrite the bill paragraph by paragraph, section by section. But the committee gave us no alternative, if the opponents to the bill are to carry out our commitments to our constituents.

It matters not to me how inconvenient that process may be to certain Senators. They were elected to serve in this body, and they should adjust their convenience to their job.

I have done my best to try to reach a fair negotiated settlement of our differences, and it still is possible to do so. But until such a settlement is reached, I shall continue to offer amendment after amendment and, with each amendment, to make a record for future reference as to what is wrong with the parts of the program to which my amendments are addressed.

When the administration claims that the foreign aid bill is now 60 percent loans and less than 40 percent grants, I point out that those statistics are "phony." In the first place, they deal only with the economic side; in the second place, they do not tell the true story about the nature of the loans, which in effect are in large measure grants concealed by a veil of semantics; but if we take a long look, we can see through the veil. Thus it is that I say that if the administration's own statistics took into account military aid, which is grant money, the percentages would be reversed.

Moreover, the economic aid program itself has remained rather stationary at the proportion of roughly 65 percent loan to 35 percent grant. That proportion should become one of 90 percent loan and 10 percent grant for economic aid. Supporting assistance is the major roadblock to attainment of that objective. It bears no relationship to any given project or program. It is extended, not on the basis of the sound financial undertakings of the recipient, but on a political basis.

The \$400 million proposed by the Foreign Relations Committee for this category of aid is only \$35 million less than the amount carried in the original bill. If Congress is going to steer the administration down the path of true and meaningful reform in foreign aid, we must reduce further this huge source of nonproject grant money, as provided in my amendment. We can do it by reducing supporting assistance to \$350 million, as provided in the amendment.

Congress has tried over the years to reduce this category of aid. Our effort has not been notable for the cooperation it has received from the executive branch, which is another reason for my loss of faith in the ability of the executive branch to recast its anachronistic foreign aid structure.

My colleagues know that we on the Foreign Relations Committee have made many attempts to compel the executive branch to recast the foreign aid program into a manageable one, with specific goals and objectives. We have tried to promote an examination of a basic philosophical premises about foreign aid, and, indeed, to find out whether such fundamental tenets actually exist. Prominent among such efforts has been the "Mansfield amendment."

Mr. President, before I discuss the Mansfield amendment, I note the presence in the Chamber of the Senator from Ohio [Mr. LAUSCHE], a member of the Foreign Relations Committee. I am perfectly willing to submit him as a witness to the statement I now make, and then let him deny it if it is not true. Again this year in the committee discussion in regard to supporting assistance, which goes into supporting the military forces of a good many other countries, it was alleged that they are not able to support by themselves military forces of the size we seek to have them maintain, and there was discussion about countries such as South Korea. In the course of that discussion, several Senators expressed perplexity and a lack of understanding as to why we should continue to pour so much money into South Korea, and they asked whether that was one place where some money could be saved. Mr. President, my amendment would do that to the extent of at least giving the administration an opportunity to cut back our supporting assistance in Korea.

Taiwan is another example.

The American people are maintaining there the army of Chiang Kai-shek; and, as I have said before in this debate, Chiang Kai-shek maintains more generals than the total number of generals in the entire U.S. Military Establishment—

and at high salaries, too; and the American taxpayers are paying the bill. But if anyone believes Chiang Kai-shek's army is worth a tinker's dam to the United States, in connection with the defense of the Pacific, I point out that that is far from the fact. If an attempt ever were made to land that army on the mainland of China, I am of the opinion—on the basis of many reports I have ever seen in regard to the military efficiency or lack of efficiency of that army—that it would trample itself to death in the process of retreat.

I repeat that neither Taiwan nor South Korea is of support to the American defenses in the Pacific. The support of American defenses in the Pacific depends upon thousands of American troops who are stationed throughout the Pacific area, on the 7th Fleet, and in the U.S. Air Force.

Mr. President, we are spending too much money in South Korea, in Taiwan, and elsewhere in that area, in supporting assistance; and I am asking that it be cut back \$50 million.

Mr. LAUSCHE. Mr. President, will the Senator from Oregon yield?

Mr. MORSE. I yield.

Mr. LAUSCHE. In the Foreign Relations Committee the subject of the amount of money which should be allocated for supporting assistance was discussed, and it was stated that probably a cut could be made.

I submitted written questions to Secretary McNamara in an endeavor to find out how many troops were in the Armies of Vietnam, Thailand, the Republic of China, Korea, Greece, Turkey, Iran, and Pakistan. I desired to know how many troops might be available in those foreign countries if we became involved in trouble. If Senators will look at page 217 of the hearings before the Committee on Foreign Relations of the Senate during June and July of 1963, they will find the answers to the several questions which I asked. The answer to the particular question which I have described was as follows:

Answer. The total number of troops maintained by the 8 nations mentioned is 2,793,623.

My recollection is that the answer also identified the number in each of those nations, but the number was deleted because supposedly the information was classified.

I then asked how much it cost to maintain a military man in the U.S. Army and how much it cost in the respective countries identified on page 218 of the hearings. Senators will note that in 1962 it cost \$3,948 to maintain a man in the U.S. Army, not including paraphernalia and equipment. The cost in the other countries is listed. In Belgium the cost is \$1,571, Denmark \$2,107, France \$1,966, Germany \$1,689, and Italy \$878.

I shall not mention each nation individually, but the cost to maintain a military man in Korea is \$247; in the Republic of China—Taiwan—\$177. I desired that information for the purpose of determining whether financially we were not better off by having those nations provide military men at less cost

than the cost to the United States of providing military men from among its citizens.

In round figures, for every military man that we in the United States can provide at a cost of \$3,948, the Republic of China can provide 23 military men, because the cost of maintaining a military man in Taiwan is only \$177 per man. The Republic of Korea can provide about 15 men for every 1 that we provide.

I am not making an argument one way or the other. I am merely stating the figures. I could not wait until the Senator from Oregon had concluded his questions. I submitted written questions. I feel that the questions and answers are deserving of reading and study.

I have the following issue to decide in my own mind: Would we profit by reducing the number of Korean military men and the number of military men in Taiwan, with the probable consequence that we would have to increase the number of our own military men? I should like to hear what the Senator from Oregon has to say on that question.

Mr. MORSE. I am delighted to reply. What the Senator has stated is typical Pentagon fallacious propaganda. Its major premise is erroneous. Its major premise is that maintaining a Chinese Army in the large number Chiang has on Taiwan is some help to the defense of the United States.

Mr. LAUSCHE. That is the argument made.

Mr. MORSE. It is not a valid argument. If there is to be an invasion of Formosa, the Senator from Ohio knows what would stop it. It would not be Chiang's army. It would be the American 7th Fleet and the American air armada.

What the Senator has been told is merely a house of cards that McNamara has built up in order to justify pouring out wasteful support assistance.

Let us consider South Korea. Does the Senator know what ought to be done with most of the members of the army in South Korea? We ought to be put them to work building roads. We ought to put them to work on irrigation projects. We ought to put them to work in civilian jobs, because South Korea will not be defended by that army. South Korea should have an army, but its size should be greatly reduced to the point at which the economy of the country could support it. South Korea knows that if Red China should make a move toward South Korea, again we shall go into action with the 7th Fleet. We will not be wasting the lives of free American boys on the basis of thinking that we can win a conventional war against the Red Chinese with South Korea's army.

(At this point Mr. INOUYE took the chair as Presiding Officer.)

Mr. MORSE. We know that we could not whip them in that manner. We could greatly reduce their numbers. The argument is made by the Pentagon that we could go around the periphery of the Communist bloc and maintain the native armies for less money than we can maintain the American army.



The point is that we would not have to substitute an equal number of American boys for that army, because we would not be fighting that kind of war if we had to fight a war over there.

We ought to be demobilizing a great many of the soldiers in those indigenous populations and putting them to work rehabilitating the country, serving clear notice that we would not weaken their defenses and would not encourage any invasion of Formosa. The Red Chinese know the 7th Fleet and the air armada are present. The Red Chinese have heard the announcement of the United States, for it is known to all the Communist world, "You make an attack on an ally of freedom and you have had it." That is the only check we have against war, and not Chiang Kai-shek's overaged army.

Has the Senator seen the statistics on the military efficiency of the South Korean Army? They could be whipped with Boy Scout troops.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. LAUSCHE. The record shows also that our Government has been insisting upon the utilization of the troops in those countries in the very projects that the Senator from Oregon has recommended. I agree with him entirely.

Mr. MORSE. To a minutia degree they pay lip service to the program. They say, "We have this little project going. We have that little project going." What they ought to have is an overall program of putting the armies to work on a civilian basis in keeping with the great record of the U.S. Army Corps of Engineers.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. LAUSCHE. I should like to have printed in the RECORD a transcription of the questions which I asked and the answers given. They appear on pages 217, 218, and 219 of the hearings before the Committee on Foreign Relations on the bill, S. 1276, in June and July 1963.

Mr. MORSE. I am delighted to have them in the RECORD.

Mr. LAUSCHE. Mr. President, I ask unanimous consent to have printed at this point in the RECORD the portion of the hearings to which I have referred.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

The CHAIRMAN. I wish to submit, Mr. Secretary, or to your aid, some written questions that Senator LAUSCHE asked me to submit to you. He had to go to another meeting.

Secretary McNAMARA. Surely. I will be very pleased to answer them, Mr. Chairman.

The CHAIRMAN. Please answer them in writing. Senator LAUSCHE had to attend the Committee on Interstate and Foreign Commerce this morning.

#### QUESTIONS AND ANSWERS ON MILITARY ASSISTANCE PROGRAM

The following questions were submitted in writing by Senator LAUSCHE with answers to be provided as inserts for the record:

Question. It is my understanding that over 60 percent of the total military assistance program will be allocated to eight key countries in south Asia, the Far East, and

the Near East. They are Vietnam, Thailand, the Republic of China, Korea, Greece, Turkey, Iran, and Pakistan. Is that correct?

Answer. That is correct; 62 percent to be exact.

Question. Can you supply for the record, if such information is not classified, the respective number of troops that are maintained by these eight nations?

Answer. The total number of troops maintained by the eight nations mentioned is 2,793,623.

[Deleted.]

Question. What is the present cost per year of maintaining each military man in the field in the United States?

(See table below.)

#### ANNUAL PER CAPITA MILITARY PERSONNEL COSTS

Cost estimates for countries receiving military assistance shown below are confined to pay, allowances, subsistence and individual clothing. They do not include operation and maintenance expenditures, as no meaningful comparisons could be made due to differing weapons systems and technologies.

For comparative purposes, figures are included for 1961. Principal reasons for changes, where available, are indicated. Changes are primarily due to either new exchange rates, increased pay and allowances, or the proportion of personnel in the lower pay grades.

Cost to maintain a soldier

	1961	1962	Net change 1962 versus 1961	Remarks
United States.....	\$4,014	\$3,948	-\$66	
Belgium.....	1,571	1,571	0	
Denmark.....	1,650	2,107	+457	Increase due mainly to higher pay and bonuses.
France.....	1,788	1,906	+118	Increase due to higher pay and allowances.
Germany.....	1,689	1,689	0	
Italy.....	960	878	-82	
Luxembourg.....	1,456	1,456	0	
Netherlands.....	832	771	-61	
Norway.....	1,706	1,985	+279	Increases in all services.
Portugal.....	435	837	+402	Increase due to higher pay and allowances.
Spain.....	466	522	+56	Do.
United Kingdom.....	2,332	2,495	+163	Increase due to higher pay and reduced numbers in lower grades.
Ethiopia.....	375	483	+108	Increase due to increase in number of students attending schools CONUS and promotions in higher ranks.
Greece.....	385	389	+4	
Iran.....	501	564	+63	Increase due to greater number of junior officers and increase in Government retirement contribution.
Libya.....		670		
Pakistan.....	437	438	+1	
Turkey.....	404	427	+23	Increase due to higher pay and allowances.
Korea.....	219	247	+28	Different exchange rate and small pay increases for noncommissioned officers.
Cambodia.....	820	842	+22	Increase due to promotions, longevity, and a slight strength increase.
Thailand.....	406	417	+11	
Vietnam.....	1,049	651	-398	Decrease due to more realistic exchange rate.
Republic of China.....	174	177	+3	
Philippines.....	742	527	-215	Decrease due to decontrol of peso.
Japan.....	818	850	+32	

Question. It is my understanding that it is your belief that the military assistance program should be continued because in addition to other advantages to the United States, the program insures "our continuing access to overseas bases and installations which are still essential to full deployment of our military strength." If we must still have continuing access to overseas bases and installations, why did we after last October 22 give up the Turkish base?

Answer. Recent actions involving replacement of Jupiter missile squadrons in Turkey (and Italy) did not result in any significant change in existing U.S. base rights. Thus, access to overseas bases and facilities required to support U.S. overseas deployments was not affected by the Jupiter replacement action.

Utilization of overseas bases and facilities by the United States and allied forces is subject to almost constant change as new weapons systems enter the operational inventories of these forces and as the overall strategic situation varies. One such change, involving modernization of NATO forces, was replacement of the Jupiter missiles. These missiles, originally provided under the military assistance program, were replaced by U.S. manned Polaris submarines. The submarines are now operating in the Mediterranean and are assigned to SACEUR, as were the Jupiter squadrons they replaced.

Replacement of Jupiter missiles was initially taken under consideration in 1961,

primarily as a result of a report by the Joint Congressional Committee on Atomic Energy, entitled "The Study of U.S. and NATO Nuclear Weapons Arrangements," dated February 11, 1961. Secretary McNamara testified at length on this report, and subsequent actions relative to Jupiter missiles, in February and March of this year before the Senate Committee on Armed Forces. Appropriate passages of this testimony appear in the published record of hearings on military procurement authorizations, fiscal year 1964 (pp. 7, 8, 147, 312, 313, 314, 349, and 350).

Question. What direct payment do we make respectively to Spain and Portugal for the bases which we have there?

Answer. We do not make any direct payment, in the sense of rental, to Spain for the bases jointly used with the Spanish. We have provided military and economic assistance to Spain in accordance with bilateral military assistance and economic assistance agreements.

We do not make any direct payment, in the sense of rental, to Portugal for our use of the base facilities in the Azores. We have provided military assistance to Portugal in accordance with a bilateral military assistance agreement.

Question. It is my understanding that in addition to the direct payments for the right to have the bases, we grant other military and economic aid?

Answer. As mentioned in the answer to the previous question, we do not make any direct payments, in the sense of rental, to either Spain or Portugal.

In the 1953 defense agreement between the United States and Spain, the United States agreed to support Spanish defense efforts for agreed purposes by providing military end-item assistance to Spain during a period of several years to contribute to the effective air defense of Spain and to improve the equipment of its military and naval forces.

In the same agreement, Spain authorized the United States to develop, maintain, and utilize for military purposes, jointly with the Government of Spain, such areas and facilities in territory under Spanish jurisdiction as may be agreed upon.

[Deleted.]

Since 1953 the United States has provided Spain a total of approximately \$500 million in military assistance and a total of \$1.4 billion economic aid in the form of defense support, technical assistance, Public Law 480, and Export-Import Bank and development loan funds.

In the 1951 Defense Agreement on the use of facilities in the Azores, as specified by the Defense Agreement of 1957, Portugal granted the United States certain rights in the Azores. We also have a Mutual Defense Assistance Agreement with Portugal. Since 1950 Portugal has received \$328 million in military assistance to assist in maintaining forces to meet NATO commitments. Portugal has not requested or received any U.S. economic assistance since fiscal year 1951, except surplus agricultural products under Public Law 180.

[Deleted.]

Mr. LAUSCHE. Finally, I feel a bit of comfort in the knowledge that in those countries there are 2.8 million men in military uniform. I cannot vouch for their efficiency, but I feel much better to know that they are there than I would feel if I knew they were not there.

Mr. MORSE. I would have them working for the rehabilitation of the economies of their countries, rather than sitting around in Army uniforms on American payrolls. I am satisfied that they would not be of any effective assistance in time of war.

Mr. President, the statistics deal with the amount of money required to maintain some of the foreign soldiers in Taiwan, South Korea, and elsewhere. In addition to the arguments that I have already made against supplying supporting assistance, I stress the point that those countries cannot support such armaments. Their economies will not support them. We are supporting them. It is better for the defense of the United States and of those countries that they support armaments only large enough to be supported by their own economies, and that we help them build up their economies so that they in turn can build up their defenses. We should make loans to them for economic projects.

By maintaining these arms with supporting assistance we are putting their whole economy on the American dole. It is degenerating and dissipating, and it has not encouraged them to build themselves up, but, rather, as a type of international beggar, really, made them rely upon us. Furthermore, I point out that in time of war they would be of little help to us, because in addition to our own war effort, we would have to

maintain them completely, by an additional war subsidy to them. That might turn out to be a real disadvantage to the United States. It is much better to have them maintain the arms that their economy will support and have us, under a foreign aid program, come to their assistance in the economic field, to help strengthen their economy, so that their economy will expand, and in that way put them in a better position to protect themselves.

Mr. President, I shall now discuss the Mansfield amendment of several years ago, because the subject matter covered in the amendment has been under discussion in the Foreign Relations Committee for a number of years.

In 1959 the distinguished senior Senator from Montana took the fine initiative of securing the acceptance of section 503(c) in the Mutual Security Act of 1954, as amended. This section directed the executive branch to present concrete plans for reducing and terminating bilateral grants of economic aid in the defense support and special assistance categories.

For those who have lost their way in our decade-long game of semantics, I should note that these categories have since joined together under the title of supporting assistance; when the latter is combined with military aid the two are entitled strategic assistance.

The greatest phrasemakers imaginable are in the State Department and the Pentagon. To a greater extent than any other group I have ever met, they can coin new phrases to disguise meaning and conceal programs not in the public interest.

Now just where do we stand, 4 years after the notable initiative of our respected majority leader? I fear the answer is: In pretty much the same old place.

#### CHANGES SINCE 1960

Both reports delivered in response to section 503(c) are depressing reading, and I shall spare my colleagues the pain and boredom of having to hear lengthy quotations from the unclassified version. Suffice it to say that much of the latter is devoted to a pedestrian defense of grant aid—although the Mansfield amendment contemplated no such evasion in directing that a specific plan be made for ending that aid in recipient countries. That is what the Senator from Montana was after, an ending of it, not a reshuffling and a continuation of it under a new semantic label of "supporting assistance."

Thus we read, for example, that:

Against this background, the overall purposes of the defense support and special assistance programs are sound. . . . To reduce or end the requirements for grant aid by altering or abandoning the goals of such aid is a conceivable but not an acceptable approach.

In other words, it is all right for the Congress to have conceptions, but the executive branch in its majesty and wisdom does not have to pay particular attention to them.

The mistake we made in the Mansfield amendment was putting in the words "insofar as practicable" when we asked

that specific plans be worked out for ending supporting grants.

In a blaze of honesty, the unclassified report of 1960 revealed that AID had no real intention of eliminating the defense support aid to the five countries which received about 75 percent of that aid in 1960. It comes as something of a shock, therefore, to discover that two of the five are not receiving supporting assistance today. But there are many other categories of assistance, and our two friends together are scheduled to receive a total approaching half a billion dollars in the coming fiscal year, not including the Public Law 480 program.

After virtually excluding 75 percent of the economic grant program from serious consideration, the executive branch report of 1960 grudgingly saw a possibility of ending grant aid over a 5-year period in 10 countries receiving something over half the remaining 25 percent. Here there has been some progress: Nine were on the list for this aid in fiscal 1962; this year only four are getting these grants. I think there is some reason gratefully to ascribe this progress to the change of administrations downtown.

Next, we turn to the list of eight countries which the executive branch considered as being subject to reductions. We find that five of the eight are still firmly entrenched in the supporting assistance category. In short, we were not promised much in 1960, and we have not gotten much reduction today.

The executive branch scarcely bothered to think about specific reductions in small grant programs. Despite its unwillingness to contemplate change, changes did occur, and six of nine listed areas are not now on the supporting assistance list. On the other hand, new candidates have appeared to vitiate the meaning of this development. Indeed, the executive branch unclassified report forecast this in noting:

Moreover, new needs for grant aid are likely to arise. The grant method of economic assistance . . . has been an essential instrument of foreign policy and, in an uncertain world, promises to remain so.

We were thus told that foreign aid administrators expect to give grant aid as long as the world situation remains uncertain. Under such circumstances, the American taxpayer might start looking to the Almighty for relief, since he would be unlikely to get it on this earth.

I do not want to minimize the importance of the Mansfield amendment. Without it I daresay we would have made no progress at all. And we have made some small progress.

On the face of it, we seem to have reduced the total of that assistance quite substantially. In fiscal year 1960, the actual appropriations for defense support and special assistance totaled \$940 million. In contrast, the appropriation for supporting assistance in fiscal year 1963 amounted to \$395 million. That looks like real, if slow, progress.

#### CONGRESS MUST GO FURTHER

But stop a moment and consider the end result. By the time the executive branch completed its normal mystifications—including recoveries, carryovers, transfers, and uses of contingency



funds—the total for supporting assistance in fiscal year 1963 had risen to roughly \$550 million. Moreover, the request for this supporting assistance category for the forthcoming fiscal year has gone up to \$435 million. The bookkeepers give and they take away in a dazzling display of paperwork.

The central question is where we are heading, and my answer is that we do not really know. To the degree that supporting assistance has declined in amounts, we have turned to the categories of development grants and loans. The latter category appears to fulfill the desire of the Congress and the American people for a program of recoverable loans. Yet all indications are that the loans in time will turn out to be grants. Meanwhile, the token interest charges—almost uniformly less than the cost of the money to us—do little to satisfy my concern over the direction the program is taking.

Mr. President, I frankly doubt that the present means of distinguishing categories in the foreign aid bill amount to very much at all. The bill reminds me of a half-inflated balloon: We squeeze one spot and another bulge appears. The time has come to apply the needle to the balloon, to collapse it, and to build a better structure with better materials.

Our experience with foreign aid makes it overwhelmingly clear that the executive branch bureaucrats will always perform marvels in evading the intent of Congress so long as they are given any latitude whatsoever. Four years have passed since the Mansfield amendment, and we still find ourselves being asked to authorize close to half a billion dollars of a kind of aid we had every right to believe would have disappeared by now. The time has come for the Congress to flex its flabby muscles and create the kind of program it believes the President should carry out.

A further reduction in this category of grant money is a necessary element in such a program.

So I close my argument on my amendment, subject to later rebuttal, by announcing again that I have modified my amendment. Lines one and two have been stricken, which dealt with development grants. This amendment is limited to support assistance alone. I ask that it be reduced from \$400 to \$350 million—a \$50 million reduction. In my judgment, it is a small one indeed in comparison with what we really could be justified in reducing it to.

I renew my suggestion to this administration, through its spokesmen in the Senate, that it ought to take a long look at the opportunity which it now has, and suggest that the \$40 million reduction be added to the cut already made, which is \$460 million. That will be a total of \$500 million. It would greatly expedite the handling of the bill in connection with the money-cut amendments.

I yield the floor.

#### MEDICAL CARE FOR THE AGED

Mr. JAVITS. Mr. President, I have the great privilege of announcing to the Senate a report which I think will bring to the fore once again to the Nation the need for a health care bill for the aged.

Today we have witnessed a most extraordinary and constructive development. A task force which was formed on the basis of a suggestion which I made after the Anderson-Javits bill was defeated in this Chamber by a vote of 48 to 52 has been functioning in this field for a year.

Arthur Flemming, former Secretary of Health, Education, and Welfare, became chairman of the task force, which was named the National Committee on Health Care of the Aged. The other members of the committee are among the most distinguished members of medical profession, hospitals, Blue Cross, insurance, and business authorities in the country concerned with the problem of medical care for the aged. Also included is Marion Folsom, a former Secretary of Health, Education, and Welfare.

Not only has the task force a distinguished membership, but it was given aid in a very material way for its legal drafting by Henry Foster, one of the professors of New York University Law School. Assistance was also furnished by a medical economist, Howard Bost, who is assistant vice president of the University of Kentucky as its study director.

The committee issued its report this morning. This report is the rock upon which a successful measure for health care for the aging can be built.

Many of the aspects of the committee's report follow the provisions which the Senator from New Mexico [Mr. ANDERSON] and I had the honor to establish in our bill, but the departures are significant and of the greatest moment, and lend themselves to implementing legislation of a character and quality which I think will make the difference between success and failure.

This morning the task force reported that there is need for a basic Federal law based upon social security financing which would give fundamental hospital and nursing home care to those over 65. That will include all persons over 65, whether or not they are social security beneficiaries. However, once that is done, once that basis is laid, the report recommends a tremendous program of insurance for the risks of health care above the basic minimum hospital and nursing home care. It is estimated that hospital care cost is about one-third of the total of the annual medical bill; that one-third is attributable to physicians, surgery and similar emergency care; and that the other one-third if made up of numerous other, but generally less urgent, types of medical care.

This proposal deals with two-thirds of the medical care needed, one-third being hospital and nursing home care and the other one-third being emergency health and surgical services; the first third to be on a Government plan based on social security financing, the second third to be covered by private insurance, but on a nonprofit, tax-exempt pooled basis, very much like the plan now being so successfully carried out in Connecticut and New York, which is known as the 65 extended health insurance program.

There is no desire or design on the part of the task force to invalidate the

Kerr-Mills law. They are perfectly content to have Kerr-Mills. It has a place, but that place is in a welfare program for welfare clients. It is not insurance and it does not in any way perform the service which needs to be rendered for the rank and file of older people who are covered by the terms of this report.

I hope Members of the Senate will read the committee's report with the greatest care.

I ask unanimous consent to have printed in the RECORD a press release which covers the particular report. The report itself is quite extensive, consisting of 79 typewritten pages. Copies may be obtained upon application to me or to Winslow Carlton, of New York, who has functioned as a member as well as secretary of the task force.

There being no objection, the release was ordered to be printed in the RECORD, as follows:

#### NEW FORMS OF PUBLIC-PRIVATE HEALTH INSURANCE FOR THE AGED PROPOSED IN POLICY STATEMENT ISSUED BY NATIONAL COMMITTEE ON HEALTH CARE OF THE AGED—MAJOR ROLE SEEN FOR PRIVATE INSURANCE

WASHINGTON, November 13.—A major policy statement on financing health care of the aged through governmental and private insurance plans was issued here today by the National Committee on Health Care of the Aged.

The committee is an ad hoc group of leaders from medicine, education, industry, and insurance. The report of its work, entitled "Financing Health Care of the Aged—Guiding Principles for a National Program of Complementary Public and Private Action," is intended to help shape public policy on what has become the perennial domestic issue of the decade.

The report's basic thesis is that the health needs of the aged can be financed best through complementary but separate Government and private insurance plans. The proposed Government plan would be limited to covering the costs of hospitalization and skilled nursing home care under an insurance plan financed independently by an increase in the social security tax. The aged population, relieved of the burden of major hospital bills, would then be better enabled to purchase private insurance policies for other large medical expenses. The committee advocates congressional action that would permit private insurance organizations to develop tax-free, low-cost special insurance plans to complement the publicly financed coverage. Legislation would be required to allow private insurers to join in concerted efforts for selling and risk pooling, and certain advantages would accrue to plans that meet regulatory standards.

Citing the abnormal health care burden of the aged as a group, caused by greater usage and higher costs of services while receiving lower incomes, the committee urges a shift in emphasis in Government action from relief measures to social insurance. The committee sees insurance as a key measure to prevent dependency and points out that current public assistance programs are designed to deal with dependency after it occurs rather than preventing loss of independence due to illness.

#### MEMBERS OF THE COMMITTEE

Officers of the National Committee on Health Care of the Aged are Arthur S. Flemming, its chairman, the University of Oregon president who served as Secretary of Health, Education, and Welfare during the Eisenhower Administration; Russell A. Nelson, M.D., vice chairman, who is also director of

Johns Hopkins Hospital; and Winslow Carlton, its secretary, who is chairman of the board of Group Health Insurance, Inc., of New York. The members of the committee are James P. Dixon, M.D., president of Antioch College; Marion B. Folsom, also a former HEW Secretary and currently a director of the Eastman-Kodak Corp.; Russel V. Lee, M.D., director of the Palo Alto Clinic; John C. Leslie, chairman of the Committee on Aging, Community Service Society; Vernon W. Lippard, M.D., dean of the Yale Medical School; Dickinson W. Richards, M.D., nobel laureate in medicine from Columbia University's College of Physicians and Surgeons; Thomas M. Tierney, director of Colorado Hospital Service (Blue Cross); Hubert W. Yount, former senior vice president of the Liberty Mutual Insurance Co., and Arthur Larson, director of World Rule of Law Center, Duke University, and former Under Secretary of Labor.

#### DETAILS OF PUBLIC INSURANCE PLAN

The public segment of the proposed dual insurance program would be limited to coverage of institutional services provided in hospitals or skilled nursing homes during the acute period of an illness, but would not pay for long-term or custodial care. Although the report was not explicit in describing the number of days the plan should cover, the committee indicated that the rough national average of 70 days of hospitalization insurance among the younger population would be desirable for the aged as well, in view of the report's stated goal of offsetting "substantially the abnormal burden that results from greater use and higher cost of services required in old age." Relatively short-term hospitalization is the most frequent major health expense of the aged, most of whom have severely reduced incomes. Worry over the "shock-loss" of such costs, which cause a sizable number of aged dependency cases, frequently prevents persons from seeking medical care until a sickness is very serious, usually resulting in longer, more expensive hospitalization. By having the Government plan cover the kinds of health care that most frequently result in concentrated expense, the committee would seek to break the circle of anxiety worsened sickness and encourage private financing of other medical costs, particularly physician care.

#### FINANCING THROUGH SOCIAL SECURITY

The report calls for the public insurance plan to be financed by an increase in the social security tax, with the increase deposited in a separate trust fund. The amount of the increase would depend on the scope of the plan's benefits and thus was not determined by the committee. Benefit payments under the plan would be limited to receipts from the additional tax, however, to keep the plan self-financed. The public plan would protect all persons aged 65 or over, irrespective of their financial condition, without further tax payments or means tests.

#### ADMINISTERING THE PUBLIC PLAN

The committee also recommends that legislation establishing the public plan place administration in the hands of the Secretary of HEW. The Secretary's responsibility would include authority to contract with existing voluntary agencies for provision of benefits or performance of administrative services.

In addition, the administration of the plan is intended to stimulate progressive improvements in the quality of medical care purchased. High quality standards would be established at the outset, with reasonable time allowed for currently substandard facilities to meet the program's standards.

#### CONGRESSIONAL ACTION FOR PRIVATE INSURANCE

In the committee's opinion, the Government insurance plan would pay for about

one-third of the total health care costs of the aged. An additional one-third, or an equal portion, should be financed by special private insurance plans, leaving the balance to be paid for independently, either through ordinary insurance or out of personal income or savings. The special private insurance coverage, designed to complement the public plan, is the subject of half of the committee's statement.

Calling for private insurance organizations to assume responsibility for protecting the aged against costs not covered by the public plan, the committee urges that Congress remove impediments to concerted action in the private sector. The statement advocates exemptions from State premium taxes and antitrust and anticompetitive laws for basic complementary policies meeting certain regulatory standards. In addition, it recommends official public endorsement of acceptable plans, including establishing a national symbol to identify them. The legislative action would result in mass enrollment opportunities because of large-scale pooling of risks and nationwide promotion, and in the lowest possible premium costs by allowing high-volume operations.

#### STANDARDS FOR PRIVATE INSURANCE PLANS

In the view of the committee, social security coverage of hospitalization (a major insurance risk of the aged) would make it possible for private insurance companies and nonprofit health plans to develop better insurance protection. Although any insurance organization could sell aged health care policies, the tax exemptions, and legal benefits would apply only to those that meet national minimum standards. Among the standards advocated by the committee are: open enrollment of all persons in their 66th year without restrictions or penalties because of condition of health; limited administrative costs; and nonprofit operation. The committee suggests that the "State 65" consortiums, now operating in a number of States, provide the precedent for such insurance, but that the recommended principles will extend the value of concerted effort and protect the participating insurance companies from the threat of adverse risk selection, a major problem of the "State 65" plans to date.

#### PROCEDURE FOR PRIVATE INSURANCE PLANS

The committee recommends that private insurance organizations propose plans for intended coverage to the Secretary of HEW and the National Advisory Council on Health Insurance for the Aged. If the proposals, in the view of the Secretary and the Council, provide a sound balance of health care for the aged when combined with the public plan, and if an approximately equal share of the total health care costs would be covered, then the proposed private insurance plan would be endorsed officially and allowed to operate under the special Federal legislation. The committee's opinion is that many private insurers would compete to develop bold new insurance policies, once the burden of hospitalization coverage has been removed.

#### INSURANCE ANNUITIES URGED

A distinguishing feature of the proposed private plan is the recommendation that the cost of private health insurance after retirement be prepaid as much as possible during working years. The committee suggests that prepayment could be accomplished through the purchase of health insurance annuities, which would be vested with the individual and would transfer during employment shifts. The annuities would be applied toward the purchase of private health insurance after age 65. The committee argues that such prefunding of private insurance during working years would bring the costs of protection within the ability of most people to pay. The statement also recommends increased continuation of group

insurance for retired members of employed groups and their dependents.

#### ADVISORY COUNCIL RECOMMENDED

Finally, the committee recommends forming a National Advisory Council on Health Insurance for the Aged. The Council would be charged with advising the Secretary of HEW on policy for the public plan and reporting through the President to Congress on the combined public-private program to solve the aged's health-care problems. In the public plan, the Council would respond to queries from the Secretary and issue recommendations to him at its own initiative.

#### NEED FOR PUBLIC ASSISTANCE REDUCED, BUT NOT ELIMINATED

The committee concedes that its principles for combined action, if carried out, would not eliminate the need for public assistance measures. By covering the major causes of dependency due to illness, however, the statement declares that the load on relief resources would be reduced substantially. The committee does not discuss the value of current assistance programs, beyond pointing out that some individuals will continue to need such assistance regardless of the success of its proposals.

#### COMMITTEE FORMED IN 1962

A bipartisan, nonpolitical task force, the National Committee on Health Care of the Aged, was formed at the suggestion of Senator JACOB K. JAVITS, of New York, following debate of the Anderson-Javits "medicare" bill in the Senate in July of 1962, in order to get a fresh and independent review of the issue. The committee is not responsible to Senator JAVITS, nor is he bound by its recommendations.

The committee's study director is Howard L. Bost, Ph. D., a medical economist who is assistant vice president of the University of Kentucky. Dr. Bost was previously a staff member of the Committee on Financing Hospital Care.

Prof. Henry Foster of New York University Law School served as legal consultant to the committee.

The committee's work was financed by private benefactors.

Mr. JAVITS. I also ask unanimous consent to include in the RECORD a statement hailing the work of this task force, issued by Nelson H. Cruikshank, director of the Department of Social Security of the AFL-CIO.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

COMMENTS BY NELSON H. CRUIKSHANK, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AFL-CIO, ON THE REPORT OF THE NATIONAL COMMITTEE ON HEALTH FOR THE AGED

The report issued today by the National Committee on Health for the Aged has, in our opinion, made a real contribution to the public understanding of the problem of health care for the aged which is still very much with us. This committee, chaired by Dr. Arthur Flemming, formerly Secretary of Health, Education, and Welfare, and made up of distinguished citizens all of whom have expert knowledge in the field of medical care and methods of financing such care has obviously made a careful and thorough study of the problem and approached its solution with imagination and courage.

We in the AFL-CIO are pleased that the report recommends the social security method for the basic institutional health care. The report also indicates how social insurance and private insurance can complement each other in meeting the problems of financing health care for the aged.

The proposals made by this distinguished committee, which was originally organized



by Senator JAVITS, of New York, merit thorough study by all those interested in this vital problem. Its recommendations should certainly be included in the proposals to be examined in the hearings on the King-Anderson bill beginning next week in the Ways and Means Committee.

Mr. JAVITS. The thanks of the Nation should properly be given to the chairman and members of the National Committee on Health Care for the Aged, which was formed at my suggestion in September 1962, for their dedicated and most important work in developing and making public this report.

This report is the most significant development in the field of health care for the aged since July 1962, when the Senate turned down the Anderson-Javits bill by the vote to which I previously referred. The report should serve to put this issue once again in the forefront of national consideration, where it rightfully belongs.

From my preliminary review of this report, it seems to me to establish an excellent basis, in fact, for implementing legislation for health care for the aged. I shall study it further and invite our colleagues to join with me in the introduction of new legislation, and I shall also invite the prompt attention of the executive department and the appropriate congressional committees to this report.

It is my urgent hope that I may be able to join the Senator from New Mexico [Mr. ANDERSON], our colleagues on his side of the aisle, and colleagues on my side of the aisle, in sponsoring immediately the legislation which I am now engaged in drafting.

This report brings a Federal program of health care for the aged measurably closer to realization.

This issue, which seems to have been shoved off the boards, has been brought back to the front and center of the stage by the report.

For the information of Senators, I shall read into the RECORD the names of the distinguished gentlemen who gave of their time and attention to bring to the country a meaningful analysis of such a program:

Arthur S. Flemming, chairman, University of Oregon president, former Secretary of Health, Education, and Welfare.

Russell A. Nelson, medical doctor, vice chairman, director of Johns Hopkins Hospital.

Winslow Carlton, secretary, chairman of the board of Group Health Insurance, Inc., of New York.

The members of the committee are: James P. Dixon, medical doctor, president of Antioch College.

Marion B. Folsom, former HEW Secretary, and presently a director of the Eastman-Kodak Corp.

Russell V. Lee, medical doctor, director of the world-famed Palo Alto Clinic.

John C. Leslie, chairman of the Committee on Aging, Community Service Society.

Dr. Vernon W. Lippard, dean of the Yale Medical School.

Dr. Dickinson W. Richards, Nobel laureate in medicine from Columbia

University's College of Physicians and Surgeons.

Thomas M. Tierney, director of Colorado Hospital Service—Blue Cross.

Hubert W. Yount, former senior vice president of the Liberty Mutual Insurance Cos.

Arthur Larson, director of the World Rule of Law Center, Duke University, and former Under Secretary of Labor.

I extend the gratitude of many millions of Americans to these extraordinarily able and distinguished Americans who, I trust, will have measurably forwarded this historic proposal of providing adequate medical care for our aging citizens.

#### AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (H.R. 7885) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

Mr. MORSE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MORSE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MORSE. Mr. President, on my amendment I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the modified amendment No. 316, of the Senator from Oregon [Mr. MORSE] to the committee amendment in the nature of a substitute.

Mr. ELLENDER. Mr. President, I support the amendment of the Senator from Oregon. I earlier presented a similar amendment, No. 284, affecting supporting assistance, in which I sought to reduce the amount by \$75 million from \$400 to \$325 million. I do not know of any program in the entire bill that has been more abused than the so-called supporting assistance program, which at one time was known as the defense support program. Supporting assistance is really economic grant assistance pure and simple. The funds provided under the title of supporting assistance are supposed to be used to assist countries such as Korea and South Vietnam, which have to sustain large armies.

Last year, Congress appropriated \$395 million for this purpose, but the amount actually programed was \$548,969,000. This increase was possible because of augmentations from the contingency fund. As I stated in a previous speech in the Senate, the amount of money needed to make up the difference between the amount made available and \$548,969,000 came from the contingency fund. The Foreign Relations Committee justifies the \$400 million it provided for supporting assistance on page 21 of its report, which I quote:

Most of the supporting assistance funds are intended to strengthen the military-economic positions in Vietnam, Korea, and Thailand. The program in Vietnam is de-

signed to supply essential imports and to advance rural relief and development activities including the strategic hamlet program. Supporting assistance programs for Korea are intended to finance raw materials and capital goods imports which maintain current production and contribute to long-range economic development. In Thailand, the United States and Thai Governments have agreed to a 50-50 cost sharing project for strengthening internal security forces and improving both military and civilian mobility in the threatened northeastern part of the country.

Mr. President, the same reasons were advanced last year to justify supporting assistance, but what happened after Congress made funds available? Korea, was programed to receive \$125 million last year. But under the revised program, Korea received \$90 million. Vietnam was programed to receive \$140 million, but this amount was reduced to \$120 million under the revised program.

So in order to take care of these two countries during the previous fiscal year, the sum of \$210 million, was required.

It is my contention—and I am sure it is that of the distinguished Senator from Oregon [Mr. MORSE]—that if \$350 million is provided there will be \$140 million in excess of what was needed to provide the supporting assistance that is so important, according to our military leaders, in South Vietnam and South Korea.

As I previously pointed out, last year Congress appropriated \$395 million, but the administrators programed \$548,969,000 by taking moneys from the contingent fund and other parts of the bill in order to augment the program. I should like to show how some of that money was used.

For example, let us consider Tunisia. When the AID made its presentation for fiscal year 1963, no funds were programed for supporting assistance to that country. But the revised program included \$6,813,000. The agency stated in its fiscal 1964 presentation that this money was necessary to provide non-project commodities in the amount of \$6.7 million and disaster relief in the amount of \$100,000. Yet we are told that this sum is to be used in order to assist countries that have huge armies to maintain.

In justifying this action, the agency states that fiscal year 1962 funds programed for Tunisia were debogated because of technicalities—because the 1963 appropriation act precluded reobligation of prior years' funds, the agency approved the use of the 1963 contingency fund rather than reobligate the prior years' funds. Thus AID got around the letter of the law by violating the spirit of the law.

Another example may be found in the case of Egypt, where \$10 million of the contingency fund was used, not directly from that fund, but through the supporting assistance fund. The amount was transferred from the contingency fund to the supporting assistance fund.

It is interesting to note that the agency reduced its supporting assistance program in only one area of the world; namely, the Far East. Yet when a plea was made by the agency for a restoration of the amount asked last year, the

reason given was that the Far East needed it. As I stated a while ago, the agency reduced that amount, but used the money in other areas.

In that connection, I point out some of the areas where it was used. The money could not have been obtained from Congress if the purposes for which it was desired to use it had been stated. In Latin America, a total of \$41,535,000 was added to the amount appropriated by Congress; there was added in the Near East, a total of \$9,113,000; and in Africa, \$10,462,000 was added—for a total increase from the original program of \$17,719,000. But in the areas where it was intended to be used to the greatest extent, upon which was based the argument for an increase last year, the program was cut back. These cuts were made in South Vietnam and Korea.

Now the same arguments are being made in connection with the claim that this amount should be increased, because, it is said, it is badly needed in South Korea, in South Vietnam, and elsewhere in southeast Asia. But I contend that if the authorization for this fund is cut to \$350 million, South Vietnam and Korea will receive the same amounts that they received last year, and the administrators will have a surplus of \$140 million to spread around as they may desire.

Again, I point out where some of this money was used last year. While reductions were being made in the Far East, Indonesia—a country which continues to play "footsie" with the Reds—had its supporting assistance program increased from \$2,500,000 to \$21,900,000—an increase of 776 percent. How can such deception be tolerated? A program is justified for countries that have the sympathy of Congress and of the American people, but the funds are used in a country which tries to play both sides against the middle. In this connection, the Clay Committee said, in its report about Indonesia:

We cannot leave this area of the world without special reference also to Indonesia. Because of its population, resources, and geographic position, it is of special concern to the free world. However, we do not see how external assistance can be granted to this nation by free world countries unless it puts its internal house in order, provides fair treatment to foreign creditors and enterprises, and refrains from international adventures.

But, Mr. President, Indonesia has not done that.

I read further from the Clay committee's report:

If it follows this path, as we hope it will, it deserves the support of free world aid sources.

But, Mr. President, Indonesia has not done so. I would not be at all surprised to find that much of the supporting assistance funds in the amount of \$20 million which was made available last year to Indonesia was used to grab certain islands or parts of islands which formerly belonged to our friends in Europe and in other parts of the world.

It is my judgment that an authorization in the amount of \$350 million, as proposed by the Morse amendment, will be entirely sufficient to take care of the

areas which must be cared for, according to our military leaders.

So I hope the modified amendment of the Senator from Oregon to the committee amendment, as amended, will be adopted.

The PRESIDING OFFICER (Mr. EDMONDSON in the chair). The question is on agreeing to amendment No. 316, as modified, as proposed by the Senator from Oregon [Mr. MORSE] to the committee amendment, as amended, in the nature of a substitute.

On this question, the yeas and nays have been ordered.

Mr. FULBRIGHT. Mr. President, I shall say only a few words, because very little is left to be said about the amendment.

This item has already been cut severely, as have all the other items. The supporting assistance item has been decreased from \$917 million, in 1961, to the requested authorization of \$445 million, this year; and in the committee it was cut to \$400 million.

I do not know that anything further remains to be said in this case.

I hope the Senate will not adopt the modified amendment of the Senator from Oregon to the committee amendment, as amended.

Mr. SALTONSTALL. Mr. President, will the Senator from Arkansas yield to me?

Mr. FULBRIGHT. I yield.

Mr. SALTONSTALL. As a member of the Appropriations Committee, it has always seemed to me that after we provide military assistance, we must provide some supporting assistance, because after we help a country to develop its military forces, we have to assist in their support through local agencies and local people in view of the fact that a certain number of people are thus taken away from their normal occupations. So it has always seemed to me that supporting assistance is a valuable and necessary part of military assistance.

Mr. FULBRIGHT. The Senator from Massachusetts is entirely correct. With a few exceptions, that is the major use of supporting assistance—in cases in which a major military effort is made—for example, in Turkey, which has already been referred to. There is also the critical situation in the Congo, particularly in Leopoldville, which is in desperate need of assistance for stabilizing purposes. The countries in these areas are threatened with serious problems, both external and internal. This general situation has been explored; and both the Senator from Louisiana and the Senator from Oregon have spoken extensively on what is involved in this case.

But the amount has already been greatly reduced until it is now quite small. In pursuance of what was called the Mansfield amendment—which was adopted in 1961, I believe, and which called for a reduction of this item—the administration has followed the advice of Congress, and in my opinion has done a very good job in that connection.

So I hope the Senate will reject the pending amendment, as modified, to the committee amendment.

Mr. ELLENDER. Mr. President, will the Senator from Arkansas yield?

Mr. FULBRIGHT. I yield.

Mr. ELLENDER. Can the Senator from Arkansas state how this fund will be used, and can he also state what countries will receive it?

Mr. FULBRIGHT. That information is classified. However, what is proposed is shown in a list which I have before me. The Senator from Louisiana can examine it if he wishes to do so. The past figures in connection with this item are not classified; but, as the Senator from Louisiana knows, there is a very good reason for classifying this material in connection with the pending bill, for after the appropriations process is engaged in, the amounts are always altered. So it is obviously undesirable to permit this information to be issued at this time, for if it were issued now, perhaps it would be bandied about by those interested in these programs. Clearly, there is always a certain amount of adjustment to be made before the appropriations are voted and are made available.

Mr. ELLENDER. But I should like to have Senators see that statement or list.

Mr. FULBRIGHT. They can do so; but it should not be printed in the Record. There is nothing new about the situation in that connection.

Mr. ELLENDER. I understand that.

However, is it not true that last year, as I have pointed out, there was programmed and justified for Korea not less than \$125 million, but the administrators gave that country only \$90 million?

Mr. FULBRIGHT. As I have said, when a certain amount is proposed, but when thereafter the amount proposed is severely cut, obviously the amount finally provided will be less than the amount originally proposed. What else could be done? The administrators say, "If you grant us  $x$  dollars, we propose to use it in this way." But if the proposed amount is cut by 20 or 30 percent, obviously they cannot spend the amount which they had proposed.

Mr. ELLENDER. As I pointed out—and I should like to be corrected if I do not have the correct figures—last year \$395 million was provided for supporting assistance but there was programmed \$548,969,000.

Mr. FULBRIGHT. The Senator has stated the estimate before any cuts were made.

Mr. ELLENDER. No, I have stated the amount of the program. The appropriation was only \$395 million.

Mr. FULBRIGHT. Yes.

Mr. ELLENDER. That is what was demanded.

Mr. FULBRIGHT. What would the Senator expect the agency to do if the program changed and a cut were made in the amount below the program estimate? Would the Senator have it spend more than the amount which was authorized?

Mr. ELLENDER. No. If the money appropriated last year had been used for countries such as South Vietnam, Korea, and Southeast Asia that, it was said, needed the money so badly, they would have had enough money. But they increased the programs in Indonesia and



other countries that should not have received the money. That is what happened.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. MORSE. I hope that Senators will announce to the latecomers that my amendment has been modified by omitting lines 1 and 2, which involved the development grants, and the amendment is now limited entirely to a proposed \$50 million cut in supporting assistance. It has nothing to do with developing grants. I may offer an amendment in relation to development grants later.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oregon [Mr. MORSE] as modified, to the committee amendment, as amended. On that question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. CANNON], the Senator from Louisiana [Mr. LONG], and the Senator from Mississippi [Mr. STENNIS] are absent on official business.

I also announce that the Senator from California [Mr. ENGLE] is absent because of illness.

I further announce that, if present and voting, the Senator from Mississippi [Mr. STENNIS], and the Senator from Nevada [Mr. CANNON] would each vote "yea."

On this vote, the Senator from California [Mr. ENGLE] is paired with the Senator from Louisiana [Mr. LONG]. If present and voting, the Senator from California would vote "nay," and the Senator from Louisiana would vote "yea."

Mr. KUCHEL. I announce that the Senator from Kentucky [Mr. COOPER] is detained on official business, and if present and voting, would vote "nay."

The result was announced—yeas 43, nays 52, as follows:

[No. 230 Leg.]

YEAS—43

Beall	Jackson	Randolph
Bennett	Johnston	Ribicoff
Bible	Jordan, N.C.	Robertson
Burdick	Jordan, Idaho	Russell
Byrd, Va.	Magnuson	Simpson
Cotton	McClellan	Symington
Curtis	McGovern	Talmadge
Dodd	Mechem	Thurmond
Edmondson	Morse	Tower
Ellender	Mundt	Williams, Del.
Ervin	Nelson	Yarborough
Goldwater	Neuberger	Young, N. Dak.
Gruening	Pearson	Young, Ohio
Holland	Pell	
Hruska	Proxmire	

NAYS—52

Alken	Gore	McNamara
Allott	Hart	Metcalf
Anderson	Hartke	Miller
Bayh	Hayden	Monroney
Bartlett	Hickenlooper	Morton
Boggs	Hill	Moss
Brewster	Humphrey	Muskie
Byrd, W. Va.	Inouye	Pastore
Carlson	Javits	Prouty
Case	Keating	Saltonstall
Church	Kennedy	Scott
Clark	Kuchel	Smathers
Dirksen	Lausche	Smith
Dominick	Long, Mo.	Sparkman
Douglas	Mansfield	Walters
Eastland	McCarthy	Williams, N.J.
Fong	McGee	
Fulbright	McIntyre	

NOT VOTING—5

Cannon	Engle	Stennis
Cooper	Long, La.	

So Mr. MORSE's amendment, as modified, to the committee amendment, as amended, was rejected.

Mr. FULBRIGHT. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. HUMPHREY. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. McCLELLAN. Mr. President, since the foreign aid bill now under consideration is being debated at great length, I should like to state briefly why I shall vote against it. As the RECORD will show, I have not voted for any foreign aid spending since 1954. I do not mean by that statement to imply that I have not felt that some judicious spending might not be to our benefit. However, I concluded, about that time, that we were spending at least \$2 for every \$1 that was necessary to carry out our program that we had in mind and for which we envisioned a need for our assistance.

Prior to 1954 I voted for foreign aid bills designed to implement the Marshall plan, because I believed the situation was such that there was some prospect of achieving some kind of results. I was willing, and I thought it proper, and I believe it was well justified, that we should help rehabilitate the war devastated countries. That we did.

Looking back, I believe most people would agree that our assistance since under the Marshall plan achieved a significant and quite satisfactory result. When it became clear that the proponents of foreign aid intended to make it permanent, with large scale programs of exorbitant expenditures aimed at the achievement of what I conceived to be impossible, unrealistic, or questionable goals, I concluded that I could no longer in good conscience support the program.

I have observed that since I quit voting for the program in 1954, the number of nations receiving aid has increased, I believe, from 71 countries that were receiving aid then to approximately 111 which are now receiving our assistance.

The amount of funds appropriated increased from \$2,712 million in fiscal 1956 to \$3,929 million in fiscal 1963. The current request for funds maintains the trend toward ever larger authorizations and appropriations. This year the President submitted an original budget request for \$4,945 million. Later he reduced his request for fiscal 1964 to \$4,529 million. The House further reduced the amount to \$3,502 million in the bill now before the Senate.

Since July 1, 1945, the United States has spent or committed more than \$103 billion for economic and military assistance. We have made available about \$45 billion to Europe; \$24 billion to the Far East; \$20 billion to the Near East and southern Asia; \$7 billion to Latin America; \$2 billion to Africa and \$5 billion on a nonregional basis. Both the obligation authority and expenditures for economic assistance and military support have been steadily increasing in recent

years with no indication as to when or where this merry-go-round will slow down or come to a halt. With only about 6 percent of the world's population, the United States has attempted to conquer poverty, illiteracy, disease, and oppression throughout the world. We have aided our foes as well as our friends.

What achievements can we point to as a result of this monumental expenditure of funds? I submit the results are not too gratifying; indeed, they are extremely disappointing. It is unnecessary at this time to describe again and in any detail instances of waste and wretched administration in the foreign aid program. Through the years, Members of this body, the press, commentators, and other sources have cited countless examples of shortcomings and spectacular failures in the program. Even the friends of foreign aid apparently concede that the program has been completely unsatisfactory or, at the least, that it is most unsatisfactory in its present state of operation and that the program must be revamped or completely changed. Only the other day, the Washington Post stated that "few can deny that the present program is beset by contradictory policy objectives and occasionally by wretched administration." The Committee on Foreign Relations has indicated that it gave serious consideration to ending the program as presently constituted in 1965. In my judgment, even that period of delay is not acceptable. A complete list of the specific instances of corrupt, shortsighted, or inefficient administration of the program would fill volumes.

The fallacies and shortcomings in our foreign aid program have been rather thoroughly exposed during the debate on this bill. Senators have presented detailed examples and many valid generalizations which reflect true conditions respecting our foreign aid program.

I shall not attempt to go over the same ground, but will merely summarize my own views in this area.

One of the more serious shortcomings in the program is the lack of clarity in our goals. We have often undertaken projects with no clear objective in mind. When we have pursued particular goals, they have often been either contrary to our national interest or unrealistic and impossible to achieve. In many instances, we have pursued contradictory policy objectives. While attempting to solve each problem which arises in the world, we often forget what we are trying to accomplish and why we are concerned with the problem at all. Until such time as we clarify our goals, any foreign aid program which we undertake will not be fully effective.

As the Senator from Alaska [Mr. GRUENING] has so ably pointed out in his report to a subcommittee of the Government Operations Committee, of which I have the honor of serving as chairman, there has been far too great a tendency on the part of our administrators to proceed on the assumption that any nation in the free world not only should, but is entitled to, receive U.S. foreign economic aid. I do not agree that all nations of the free world are entitled to or should receive economic assistance from us. An indiscriminate outpouring of aid results

in a waste of public funds and often does more harm than good.

Our assistance to underdeveloped nations in many instances has created envy and hatred instead of friendship. Our projects in many countries result in a flaunting of our great wealth and prosperity before the eyes of people whose situation almost inevitably causes them to react with envy and resentment, if not with outright hatred. Furthermore, since no consistent yardstick exists for an equitable distribution of aid, some nations inevitably feel that they are being discriminated against. We also generate resentment each time we turn down an applicant for our aid. The initial receipt of aid creates the expectation of continued aid and produces adjustments which often make such a continuation imperative. Thus, after a nation becomes dependent upon this aid, its reduction or elimination causes understandable frustration and anger.

Our aid program often encourages the development or perpetuation of socialism, which, I believe, in turn impedes the growth of an underdeveloped country. Tremendous amounts of aid are granted directly to foreign governments. By doing so, we are, in many instances, subsidizing the political career and often the financial enrichment of those in power. In too many cases, these political leaders are lovers of power and big government, and they are contemptuous of the businessman and his everyday concrete reality. The planners and leaders in these nations are often concerned with the displacement of the market mechanism when the improvement of this mechanism is what is most needed. Moreover, some of those administering our aid program appear to be hostile to those institutions in our society most responsible for our own growth and development—free enterprise and limited government.

In Turkey, for example, we have been financing government industries for 16 years. We are indebted to the Senator from Oregon [Mr. MORSE] for calling to our attention a report by a U.S. expert on investment laws, Mr. Norman Littell. Mr. Littell pointed out that the history of Turkish confiscation of foreign enterprises and the fact that these enterprises have been run for years by the state have been the chief trouble with the Turkish economy. Mr. Littell also points out that he was informed by people in a position to know that the average Turkish citizen realizes full well that private operations are far more efficient than public operations but is still reluctant to take the leap from public to private ownership. It would seem, therefore, that little, if anything, has been done to educate the citizens of Turkey on the dynamics of private enterprise and the benefits it can bring to the employees in a depressed and underdeveloped area.

Mr. MORSE. Mr. President, will the Senator from Arkansas yield?

Mr. McCLELLAN. I yield to the Senator from Oregon.

Mr. MORSE. I am glad the Senator from Arkansas has mentioned the work of Norman Littell. He is one of the best

versed and informed men on the problems of Turkey who is available to the Senate. I have conferred with him at great length. I believe the Senator from Arkansas has conferred with him.

He has pointed out that the aid we have given to Turkey has had many unfortunate results, not the least of which is the socialization of its industry and the operation of many industries by the Government, at great waste, with those industries' payrolls actually being a form of unemployment insurance, in that they have many times the number of employees needed.

Mr. McCLELLAN. In other words, they are engaged in made work.

Mr. MORSE. And they are paid by means of the American dollars that Government receives. In that sense, we are pouring into Turkey a great deal of aid which is unneeded.

Littell also pointed out that we are not supporting democracy in Turkey, and that the situation there is a far cry from the situation in a land of freedom. Yet we continue to pour our money into Turkey.

I shall offer some amendments which will specifically deal with Turkey, and in that way I shall try to end much of the waste which has crept into our foreign aid program.

Mr. McCLELLAN. I thank the Senator from Oregon. I pay tribute to him for the highly valuable service he has rendered in the Senate at this session.

In the past 8 years, although I have not voted for this program, yet I have not made an all-out fight against it on the floor of the Senate, for that seemed to be useless. In the early stages I thought I might be mistaken, but I had to vote my convictions.

I see no end to this program; there is no prospect of reaching an end to it. It will be a continuing and growing program, unless we meet our responsibility, and thus stop it. But as I view the situation—and I have been around a little, even though perhaps I have not traveled abroad as much as some Senators have—we are not striking at the root of the troubles. We are merely handing out doles to those temporarily in power in these countries, and those donations are not of benefit to the average citizens in those lands, and do not result in making resources available to them in order to help them build up an improved livelihood, or in amounts sufficient to enable to lift themselves out of the poverty in which so many of them are enmeshed. Instead, we aid them to live from day to day, but no improvement is being made. One of the difficulties is that the program is not organized correctly. Apparently we do not have a proper conception of what needs to be done, and we do not have in the AID enough people who know differently and know how to reach the problem and how to deal with it adequately.

Mr. GRUENING. Mr. President, will the Senator from Arkansas yield to me?

The PRESIDING OFFICER. Does the Senator from Arkansas yield to the Senator from Alaska?

Mr. McCLELLAN. I am glad to yield.

Mr. GRUENING. I thank the Senator from Arkansas.

First, I thank the Senator for his very kind reference to my report. I believe it is the first investigation in depth of this subject that has been made in the Senate, and I believe it was long overdue.

I share the concern the Senator expresses. I felt that when the foreign aid program carried out the Marshall plan, it was a great success. It was specific in purpose, limited in scope, directed at countries that were qualified to receive such aid, and accomplished its objectives; and if we had adhered to similar procedures and standards in connection with the program subsequently we would not have had the errors and the waste that have characterized the foreign aid program which we are now trying to reform.

I do not wish our foreign aid to be eliminated; but I believe it must be curtailed and reduced until it is sound and sane and until it is based on fundamental principles, such as the willingness of the countries we aid to help themselves, to administer honestly and effectively the funds we give them, and to reach a termination point in the program. As the Senator has said, we cannot continue this program indefinitely. Furthermore, it would be fantastic for the United States with about 6 percent of the world population to attempt to eliminate poverty everywhere in a world of more than three billion persons. As the Clay report stated, we have attempted too much too rapidly.

I wish to refer also to the commendation by the Senator from Arkansas and the Senator from Oregon of Norman Littell, a very experienced and able attorney, a former Assistant Attorney General and a man of unblemished reputation. I am not particularly familiar with the work he has done in Turkey, but I know of his excellent work as attorney for the Navajo Tribe. He has held that position for the last 15 or 16 years; he has served those Indians of the Southwest with great devotion and ability, and I am glad to join these Senators in expressing our appreciation of his excellent work and in paying tribute to him for his accomplishments, his valuable services both while in the Federal service and in private practice, his integrity, and his fine public spirit.

Mr. McCLELLAN. I thank the Senator from Alaska. It would be most desirable for us to have in that country more men of ability who manifest a sincere desire to do something effective about the needs which exist there. Under such circumstances, I think the program might be quite helpful. But at present, waste, extravagance, and indifference characterize the program there; instead of taking positive steps, there seems to be only a desire to get rid of the money we send there and—in short—to attempt to buy friends. Such a program makes no sense to me, and certainly it is the grossest kind of governmental folly.

I wish to pay tribute to the Senator from Louisiana [Mr. ELLENDER], who has traveled most extensively. When I entered the Chamber a few minutes ago,



I think the Senator from Oregon was referring to him. I join in the sentiments I heard the Senator from Oregon express.

Following each trip the Senator from Louisiana has made abroad—they have not been junkets; they have been journeys in the course of which he has obtained large amounts of valuable information about our program, the policies followed, the method in which the expenditures were being handled, and the results being obtained—he has made a detailed report to the Senate. I think it most unfortunate that the Senate and the House of Representatives have not earlier heeded some of the reports he has given us and have not acted upon them. I believe we are now reaching the point where there is some hope; apparently, judging from what has happened in the last 2 weeks, there is now some hope that Congress will begin to measure up to its responsibilities in this field, and will either stop the entire program for the present or will reorganize it in such a way that it will accomplish something worth while.

Mr. MORSE. Mr. President, will the Senator from Arkansas yield again to me?

Mr. McCLELLAN. I am happy to yield further to the Senator from Oregon. First, let me say that I believe I have supported almost every amendment he has offered in recent years in the attempt to reduce this program in size and to make some necessary corrections in it, even though until now we have not been particularly successful in such attempts. I am gratified that we are now making some progress in that direction; and among the outstanding Senators who have led that fight are the Senator from Louisiana [Mr. ELLENDER], and Senator from Alaska [Mr. GRUENING] and the Senator from Oregon [Mr. MORSE]. Again I commend the Senator from Oregon, because he has performed a most valuable service. At this time I am glad to yield to him.

Mr. MORSE. Mr. President, on behalf of the Senator from Alaska, the Senator from Louisiana, and myself, I thank the Senator from Arkansas very much. He has stood shoulder to shoulder with us as we have tried to bring about necessary reforms by means of making necessary changes in the bill.

In view of the fact that the Senator from Arkansas paid tribute to Norman Littell—and his tribute was followed by the tribute paid to Mr. Littell by the Senator from Alaska [Mr. GRUENING]—and in view of the fact that the Senator from Alaska stated that for a great many years Mr. Littell has been legal counsel for the Navajo tribe, in which work he has performed distinguished service, I ask unanimous consent to have printed in the RECORD at the conclusion of the speech of the Senator from Arkansas an editorial, written by Josephus Daniels, editor of the Raleigh, N.C., News and Observer, at the time when Mr. Littell was Assistant Attorney General. The editorial is entitled "Would Be Knighted," and is in high praise of this great lawyer and distinguished American.

I read only the first sentence:

If public men who render distinguished and patriotic service in America were knighted, the highest decoration would go to Norman M. Littell, Assistant Attorney General.

Mr. President, I ask unanimous consent that the editorial be printed in the RECORD following the speech of the Senator from Arkansas.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. McCLELLAN. Mr. President, it is too often forgotten that the developed countries of the world achieved their greatest development under relatively laissez faire conditions. Massive government intervention was adopted by the West only after a century of development. The underdeveloped countries of the world are attempting to start with extreme versions of policies adopted by the nations of the West after they had already achieved their period of greatest growth.

It is argued that the underdeveloped nations of the world cannot afford to wait for gradual development and hence feel constrained to hasten development through government enterprise. We must accept such policies, it is said, because to do otherwise would be an undue interference in the domestic affairs of these nations.

I do not desire to interfere in the affairs of other nations, but when they expect us to pay their bills, I wish to have something to say about those affairs. So long as a nation attends to its own business, it can have whatever dictators, inflation, or whatever else it wishes—if it does not know better. But when such nations come to us and present the bill and ask us to finance those things I have enumerated, then I am ready to interfere or cut off the money. When I say "interfere" I do not mean that I would force anything on them but I wish to know that their policies and their programs will result in some benefit and that some benefit will be derived from the assistance that we give to them. But have the results of such efforts indicated that this approach is the most effective way of securing the desired development? I think not. Our experience to date has not proved that to be true. For that reason we now find opposition to the program, and some of us are trying to bring about certain changes in the program and organize it so that it will be effective and function efficiently.

Not being subject to automatic correction through individual trial and error, such efforts require a miracle of planning and coordination. Failures tend to be numerous and large in scale. All too often, the net result is massive inflation resulting from an overexpansion of the governmental apparatus, the support of expensive armies, massive wage increases ordered by governments or enforced by government-sponsored trade unions, and attempts to invest capital at too fast a pace for orderly development.

Mr. President, we have examples of that in the Latin American countries. We have poured out a great deal of assistance to countries in Latin America.

Conditions become worse all the time, according to the reports we receive. Private capital is flowing away from the countries of Latin America as fast as we provide American dollars to try to stabilize conditions in those countries. We cannot save any country under conditions like that. There must be a reasonable effort on the part of the nations themselves—on the part of the people and their governments. We are very foolish to undertake programs until we get some cooperation and effort on the part of those countries to help themselves.

At the same time, the changed political climate operates to discourage foreign investment capital from coming into the country. When foreign investors must reckon with inflation, exchange control, price control, confiscation, and nationalization of industries, they often conclude that the possibilities for profit are outweighed by the hazards involved. So they do not invest. The underdeveloped nations are thus deprived of what could be a major source of capital for their development. It is foolish for us to encourage and subsidize such policies. I do not believe that the United States or the recipients of our aid will in the long run benefit from a continuation of our current approach to this problem. A change should be made before we appropriate more billions for such expenditures.

The hopes and rising expectations of 90 percent of the peoples of the world cannot be realized with American dollars but only with American ideals and experience which are far more valuable. In only 150 years our forefathers transformed a wilderness into the most productive, most powerful, most considerate civilization known to the history of man. The manner in which this was accomplished is the real American wealth. The rest of the world can go and do likewise if it will only recognize and carry out the essential actions prerequisite to our way of life. We on our part must recognize that money alone will solve few problems; that money is only a tool useful to those who know how to use it. The greatest gift we can give the developing countries and peoples is our knowledge and experience in the fields of government, technology, and commercial enterprise. With all of our wealth and the best of intentions we cannot help other countries and peoples unless they are willing to recognize, accept, and act on the principles we have developed from hard experience.

In all too many instances, our aid does not go to the people of the nations receiving our assistance. When aid is turned over to those in power, they often convert it into personal gain. At best, it is filtered through the existing power hierarchy whose members or supporters derive all or most of the benefits therefrom.

The United States has, in effect, forced foreign aid upon countries in some instances. We insist upon giving them aid which they are not equipped by training or background to handle.

It is a common occurrence for the United States to furnish substantial sums of money for a project and then

receive no recognition for it whatsoever. For example, in recent weeks, the newspapers carried accounts of the dedication of a highway in Indonesia which was constructed with U.S. aid. President Sukarno issued an ultimatum that no U.S. flags could be flown during the dedication.

One of the most puzzling parts of the foreign aid program to me has been the assistance given to avowed Communist countries. Moreover, we have given such aid in staggering amounts. Yugoslavia alone received about \$2.4 billion during the period from July 1, 1946, through June 30, 1963. Approximately \$696 million went for military assistance, and this amount is misleading when we realize, for example that the United States gave, sold, or contracted for the sale of 683 military planes for a few million dollars that today would cost close to half a billion dollars.

Our balance-of-payments deficit must also weigh heavily in our consideration of this bill. There is no need to dwell at length on this matter, for we are all aware of the seriousness of the problem. Suffice it to say there seems no question but that our foreign aid program is a major factor in the creation of the balance-of-payments deficit.

In my judgment, we are mistaken in assuming that the military aid furnished to many nations is responsible for keeping them from falling behind the Iron Curtain. The nuclear arsenal and military might of the United States is the real deterrent to Communist aggression against these nations, not the military assistance which we provide.

There are other criticisms which I could make, but the foregoing are sufficient to illustrate to some extent my dissatisfaction with the foreign aid program.

In answer to the criticism of foreign aid, its proponents always argue that we only need to improve the administration of the program. We have heard this same argument and excuse each time during the past 10 years that this issue has come before the Congress. We are continually promised that changes will be made. But they have not yet been made, and the evidence that they will be is not at all convincing. I see no reason to believe that the money authorized by this bill will be utilized any more effectively than the money authorized by past bills and the many billions heretofore expended. Expenditures may well be improved by reason of some amendments that have been adopted by the Senate, provided the amendments are retained when the bill becomes law. The whole thrust and emphasis of our program is, in my judgment, misguided, so I have no alternative but to continue my opposition until such time as it appears that these exorbitant expenditures have some chance of achieving much better results than they have in the past.

In concluding, I should like to go back into history for an analogy to our present situation. The rulers of Byzantium sought always to impress less fortunate peoples with the wealth and prosperity of Constantinople and used lavish for-

eign aid as their diplomatic instrument. Money was regarded as an irresistible argument and was used indiscriminately and sometimes unwisely.

I am glad to say that we have not yet reached the point of failing to maintain our military posture. We have not maintained it as well, perhaps, as some of us would like, but it is an expensive necessity. At least, I believe we have sufficient military strength today to provide a deterrent to a would-be aggressor.

The result? Lulled by a false sense of security, they failed to maintain their own military and economic strength. When the Turks threatened, friends purchased by money proved to be false friends. If we were threatened today, I wonder where Mr. Tito would be? And there are others we could mention. I can say one thing: They would not be with us. The once resplendent Eastern empire shrank to a hollow shell and ultimately collapsed without a struggle.

We should never forget that the real bulwark of freedom in the world is a strong and growing United States. If our Government continues its present course of useless and wasteful spending in a so-called foreign aid program, and continues to spend billions each year in excess of its income in wanton disregard of sound fiscal policies and governmental integrity, we, too, may someday have to answer for our folly. That "someday" may well be nearer—sooner than we think.

Let us stop this folly, conserve our resources, balance the budget, live within our income and strengthen America from within. When we do that, we will have greater resistance to and defense against any danger that may lurk from without, or may ever threaten us from without.

#### EXHIBIT 1

[From the News and Observer, Raleigh, N.C., June 27, 1943]

#### WOULD BE KNIGHTED

(By Josephus Daniels, editor)

If public men who render distinguished and patriotic service in America were knighted, the highest decoration would go to Norman M. Littell, Assistant Attorney General, whose wisdom and courage compelled the annulment of the illegal, invalid, and indefensible lease of the naval oil reserves in California to the Standard Oil Co. Any official who stands against the exploitation of national reserves by the greed of monopolists is entitled to honors that go only to those who render service beyond the call of duty. When Mr. Littell uncovered the fact that the contract made last fall was worse for the Government than the one Fall made with Doheny, he knew what he might expect from the Standard Oil lobbyists and henchmen. The Associated Press story of yesterday of the hearing before a congressional committee had the following disclosures of methods which shocked the American people.

Norman M. Littell, Assistant Attorney General who originally labeled the contract "illegal," told the Lands Committee that he had been subjected to considerable personal attack on the basis of his qualifications to pass judgment on the transaction.

Littell, who was requested to make the study by the White House, said a lobbyist of the Standard Oil Co., of California, had sat in the committee room all morning, smiling and smirking at his remarks.

This same person, Littell said, had damned him last night before other people for posing as an oil expert.

Littell said Ralph K. Davies, assistant petroleum administrator and vice president of Standard Oil of California, had offered him a retainer of \$6,000 annually some years ago following Littell's service in administering oil problems under the National Recovery Administration (NRA) code.

"I declined it," stated Littell, "because I did not want to defend the old NRA code they were maintaining."

Representative ELLIOTT threatened to call to the witness stand the "lobbyist" to whom Littell referred, and said he himself had been accused by this unidentified person of making unfair statements against Standard Oil of California. ELLIOTT told the committee members that they would have the unidentified person before them for questioning before this is over.

Littell's report termed the contract "a masterpiece of equivocation" that was "illegal and invalid" not only under the Oil Conservation Act of 1938, but also under the war powers acts. Its terms, he said, called for a pooling of approximately 8,300 acres of land owned by Standard Oil with approximately 35,175 acres owned by the Government, without taking into consideration that water seepage into Standard's share had impaired the value of the company's holdings.

From the day the Wilson administration blocked the attempt to grab oil reserves, the oil men have resolved by hook or crook to own or control the naval oil reserves. First, they threatened to open their offset wells and drain the naval reserves of their oil. That threat was met by the Secretary of the Navy, who declared that if that sort of looting was attempted, the Navy would play the same game and double the offset wells. During the World War, the California Chamber of Commerce sought to compel the exploitation because unless the naval reserve oil was made available the war work on the Pacific coast would be halted. That false plea was exposed and defeated. Then Colorado exploiters sought to get a lease of Teapot Dome but the Wilson administration refused to consider it. As soon as the Harding administration was inaugurated, the scandalous and corrupt deal was made by Fall (with a \$100,000 bribe) to turn over the Navy oil reserves to Doheny. That deal drove Denby, Secretary of the Navy, out of the Cabinet and likewise changed Fall from a Cabinet portfolio to residence in a prison cell.

Again, hoping in the stress of war to obtain the long-coveted naval oil reserves, the Standard Oil Co. of California managed to secure a contract worse for the Navy than the one Fall made with Doheny. While this contract, now annulled, was attended by no \$100,000 or other bribe, the general public which heard about it only when a congressional committee uncovered it, thought it was a plan that would benefit the Navy. It turned out to be better for the Standard Oil Co. than the contract Fall made with Doheny, and therefore worse for the Navy.

Mr. MORSE. I thank the Senator from Arkansas very much for the able and penetrating speech he has made in opposition to the bill. I shall stand shoulder to shoulder with him in his continued opposition to the bill.

Mr. SIMPSON. Mr. President, I call up my amendment No. 308 to the committee amendment, as amended, and ask that it be stated.

The PRESIDING OFFICER. The amendment to the committee amendment will be stated for the information of the Senate.



The LEGISLATIVE CLERK. On page 48, between lines 7 and 8 in the committee amendment, it is proposed to insert the following:

(a) Amend section 621, which relates to exercise of functions, by striking out the last sentence thereof and substituting the following: "In providing technical assistance under this Act, the head of any such agency or such officer shall utilize, to the fullest extent practicable, goods and professional and other services from private enterprise on a contract basis. In such fields as education, health, housing, or agriculture, the facilities and resources of other Federal agencies shall be utilized when such facilities are particularly or uniquely suitable for technical assistance, are not competitive with private enterprise, and can be made available without interfering unduly with domestic programs."

On page 48, lines 8 and 22; page 49, line 5; page 50, line 1; and page 51, line 10, it is proposed to redesignate subsections (a) to (e) as (b) to (f), respectively.

Mr. SIMPSON. Mr. President, I ask for the yeas and nays on this amendment.

The yeas and nays were ordered.

Mr. SIMPSON. Mr. President, the purpose of this amendment is to bring uniformity to the Foreign Assistance Act. The amendment would utilize the efficiency of our private enterprise system in giving aid to foreign countries. It would emphasize the role of private enterprise rather than enlarging upon the activities of the Federal bureaus and agencies which become a drain on our economy.

I compliment the Foreign Relations Committee on its attempts to utilize private enterprise in developing and aiding the other countries of the world. In the Foreign Assistance Act of 1961, Congress stressed the importance of free enterprise in part III of that act, which is entitled "Encouragement of Free Enterprise and Private Participation."

The Foreign Relations Committee has recognized that private channels must be used to the greatest extent practicable. This year the committee has recommended three changes in the act to further encourage and facilitate participation by private enterprise.

One change which was adopted by the House of Representatives and is in the bill recommended by the committee would improve and strengthen the role of private enterprise in the field of foreign aid. In part III, section 601(b) the act states:

In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President shall . . . (6) utilize whenever practicable the services of United States private enterprise (including, but not limited to the services of experts and consultants in technical fields such as engineering.)

I believe that the committee has acted wisely in recommending this language. I endorse it completely.

I find that the bill is not consistent with this approach and have offered as an amendment to the bill a provision which would bring uniformity. Section 621 of the Foreign Assistance Act of 1961 states:

In providing technical assistance . . . the head of any such agency or such officer

shall utilize to the fullest extent practicable, the facilities and resources of the Federal agency or agencies with primary responsibility for domestic programs in such fields.

This contradicts the purpose of the committee's recommendations regarding section 601. My amendment is technical and would bring harmony to the act.

My amendment would strike the conflicting sentence of section 621 and insert in lieu thereof the following:

In providing technical assistance under this Act, the head of any such agency or such officer shall utilize, to the fullest extent practicable, goods and professional and other services from private enterprise on a contract basis. In such fields as education, health, housing, or agriculture, the facilities and resources of other Federal agencies shall be utilized when such facilities are particularly or uniquely suitable for technical assistance, are not competitive with private enterprise, and can be made available without interfering unduly with domestic programs.

I am confident that there will be little, if any, objections to this amendment, because the President has stressed the importance of stimulating our economy and a need for the balance of payments. Our economy can be stimulated if we will use American private enterprise in giving assistance to foreign countries.

We are at a period in our history when our approach to world affairs should be reoriented, particularly in regard to the administration of our foreign aid. If the purpose of our lending assistance to other nations is to encourage freedom, promote the betterment of the people, and establish an economy founded upon private enterprise, then we should do it in a manner in keeping with these principles.

Private enterprise and initiative has been the dominant factor in the development of the United States, and if we are to expect other nations to follow in this philosophy we must utilize these basic principles to the fullest extent in the implementation of our assistance programs.

The foreign aid program is supporting a bureaucracy within our own Government and correspondingly encouraging the recipient countries to do likewise. Domestic Federal agencies have been encouraged to offer their services to foreign governments, subagencies, and individuals.

They have been given increased appropriations to obtain additional personnel, equipment, and office space in which to carry out their new functions. They have become so involved in providing these services that their primary domestic responsibilities are often set aside.

While it is true that we have an interest in seeing that the moneys we spend are spent wisely, on technically sound projects and programs, there are ample people in private enterprise who could be engaged to aid in this area.

America has a highly developed business of providing technical services for foreign projects as well as domestic ones. Competition from Federal bureaus threaten to take over a large part of this market. The Foreign Assistance Act of 1961 stimulates Government competition with private enterprise. That

should not be so. The committee has wisely tried to change this. My amendment brings uniformity to the act.

There can be little question regarding the capabilities of the technical and scientific community in this country. We now possess the world's most extensive, flexible, versatile, and capable source of technical knowledge and services for project development in our history. And instead of encouraging them to go outside our borders and demonstrate to the world, on a personal basis, how Americans work, we discourage them and send arms of our Federal Government whose interest is not always in a job well done, but, rather, just another job.

This problem of Government bureaucracy in our foreign aid program has become so acute in recent years that several professional associations representing segments of our private industry have called my attention to cases of wasteful spending, duplication, and outright discouragement of private interest in foreign aid.

The Legislative Council for Photogrammetry, representing the mapping industry of this country, has informed me of an agreement between the AID and the Corps of Engineers that will ultimately result in no further work for private businessmen in the location and development of natural resources of Latin America.

This agreement, known as the Participation Agency Service Agreement, or PASA, as it is more commonly referred to, has resulted in complete control, by the Corps of Engineers and its subagency, the Inter-American Geodetic Survey, of the natural resource development in Latin America.

Instances have been reported of officials of Latin American countries being told by U.S. officials not to utilize the services of U.S. firms but to ask the U.S. Government to perform these projects under the guidance of the Inter-American Geodetic Survey.

The Consulting Engineers Council, representing the engineers of America, has added still further instances of Government competition with private engineers. Just this past month they reported that the Agency for International Development completed an agreement with TVA for consulting services in connection with a feasibility study for the proposed \$150-million Yaque del Sur irrigation project in the Dominican Republic. This not only is competition from a governmental source but competition from a source not even experienced in the irrigation field. Upon inquiry of the matter, agency officials admitted one person on TVA's staff had had some previous experience in the irrigation field. TVA officials were scheduled to go to the Dominican Republic on September 28 but a revolution intervened, resulting in a termination for the time being, of economic aid to that country.

Another example was an agreement between AID and the Department of Agriculture in which the latter enters the engineering business to prepare drawings and specifications for construction of facilities in Trinidad, British West Indies. The Bureau of Public

Roads is another agency rendering engineering services throughout the world, although it has a big enough job with the mammoth road construction project here in the United States.

When a Federal engineering agency takes an assignment from AID, then it harms private enterprise both in the United States and in the recipient country. This can be particularly harmful to the fledgling private enterprise sector of emerging economies.

My amendment proposes to change some of these inequities and place the basic principles of our country at the forefront of our AID policies and administration.

Government agencies are established and organized for governmental purposes. For providing technical services, their organizations are cumbersome. They lack the incentive of competition for economic survival to provide rapid and efficient services. Private enterprise has the greatest incentive and facilities for rapid and efficient completion of contract services. When a contract has been completed and the project for which it was intended finished, the company and its personnel go off the Government's payroll, but much of the fruit of their labor goes into the Treasury of the United States in the form of taxes.

The adoption of this amendment will be of great assistance to our American private enterprise system and will clearly demonstrate to the world that we use the free enterprise system which we are attempting to establish in the underdeveloped countries.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. SIMPSON. I yield to the Senator from Oregon.

Mr. MORSE. I congratulate the Senator on his speech. I had read it before he delivered it. I was very favorably impressed with it then. I am even more favorably impressed with it now that it has been delivered.

I think the proposal is in line with what the Senator from New York [Mr. JAVITS], the Senator from Minnesota [Mr. HUMPHREY], and other Senators have been trying to work for; namely, a greater contribution in the administration of the foreign aid program by the private segment of our economy. Speaking for myself, when people have asked me what I was trying to do in this connection, I have said: "I am trying to move the bureaucrats out and the entrepreneurs in."

That is the objective of the Senator's amendment. Perhaps some Senators have questions to ask in regard to it, but I believe that wherever possible private industry should be used to carry out a program which, for the cogent reasons expressed by the Senator from Wyoming in his able speech, can be done by it. That is the answer. Private industry must be brought in. It should be brought in, because we are not exporting a government to the underdeveloped areas of the world. We should not be. We are not exporting bureaucracy. I thought we were trying to export economic freedom. I thought we were trying to export the processes of a private

enterprise system, its technologies, its profit motive, its incentives, and its stimulation.

The amendment seeks to accomplish that end. The amendment ought to be accepted, with whatever clarification may be asked for, and taken to conference.

Mr. SIMPSON. I thank the Senator from Oregon for his observation.

Mr. AIKEN. Mr. President, may I ask the Senator a question or two?

The PRESIDING OFFICER. Does the Senator from Wyoming yield to the Senator from Vermont?

Mr. SIMPSON. I am glad to yield to the Senator from Vermont.

Mr. AIKEN. First, the Senator's objective in offering the amendment appears to be a good one. However, it provides:

In such fields as education, health, housing, or agriculture, the facilities and resources of other Federal agencies shall be utilized when such facilities are particularly or uniquely suitable for technical assistance, are not competitive with private enterprise, and can be made available without interfering unduly with domestic programs.

The Senator does not intend, does he, to limit the fields to education, health, housing, and agriculture?

Mr. SIMPSON. No; I did not intend such a limitation.

Mr. AIKEN. Did the Senator intend that the wording of his amendment would preclude temporary assistance from the Army Engineers, provided that a private engineer were available, although it may be at greater cost?

Mr. SIMPSON. No; and in that connection I call the attention of the Senator from Vermont to the fact that the Javits amendment called for an advisory report. My amendment would implement that provision by establishing an area in which selection could be made.

Mr. AIKEN. I thank the Senator. I thought these points should be made clear for the RECORD.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. SIMPSON. I yield to the Senator from Minnesota.

Mr. HUMPHREY. Mr. President, about 2 years ago, I believe, I offered an amendment to the foreign aid bill, which is now section 621 in the act. That section calls upon the AID agency to utilize the so-called domestic agencies of Government in so far as it is practicable to do so in carrying out the programs of technical assistance. My objective then was to preclude the possibility of the AID administration building up, for example, a large housing section, when a housing section already exists in the Housing and Home Finance Agency which could meet these responsibilities; also, asking the AID agency to utilize the U.S. Public Health Service, with reference, for example, to some of its health programs, because there are competent health personnel in the U.S. Public Health Service.

The Humphrey amendment of 1962 was designed to implement the AID administrative structure, with the AID administration actually making contracts with an established department of Government of cabinet status, such as the

Department of Agriculture or the Department of Health, Education, and Welfare, to perform certain functions with available on-the-job technicians; in other words, dealing with people who were already on the Government payroll, so that it would not be necessary to build up a whole new array of Government personnel with a new bureau.

As I understand the Senator's amendment, the Senator does not propose that such services should be dispensed with but that where the private instrumentality or private enterprise sector could provide trained and competent personnel to do the required work, as well as or better, they should be called upon, on a contract basis, to perform a particular service, such as, let us say, in the development of a savings and loan association, or in the development of a veterinary college in a country, or in aiding housing construction. As I understand, the Senator's amendment emphasizes the private sector as a part of the AID program, and would utilize the private sector to the maximum extent possible. Is that correct?

Mr. SIMPSON. The Senator is correct.

Mr. HUMPHREY. If, for example, the cost involved were heavy, and far beyond what could be obtained through the utilization of existing Government personnel, for example, cost would be a factor which could very well work against the hiring of a private group. Is that correct?

Mr. SIMPSON. That is entirely correct, I believe; I would subscribe to that statement.

Mr. HUMPHREY. I believe the Senator's amendment is within the spirit of what some of us have been trying to do, namely, bring more fully into the foreign assistance program the great resources of the United States which are found in the private sector of our economy. That is our real strength. It is not only Government that represents that strength.

Mr. SIMPSON. Yes. I thank the Senator very much.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. SIMPSON. I yield.

Mr. JAVITS. I should like to ask the Senator whether the words in lines 7 and 8 "on a contract basis" are words of art. What does the Senator have in mind? Is he trying to invoke some part of Federal law to prescribe how contracts shall be made?

Mr. SIMPSON. Several Senators have discussed that point thoroughly. There was some contention with respect to the use of those words. The feeling was that the private enterprise sector would in all instances enter into a particular field on a contract basis.

Mr. JAVITS. Does the Senator feel that the words "on a contract basis" represent what he is trying to accomplish?

Mr. SIMPSON. I do not know. It occurred to me that, quite conceivably, a company might not be allowed to enter into a field without a contract, and, as a result of that feeling we used the words "on a contract basis." However, the language makes sense without those words.



Mr. JAVITS. I would appeal to the other lawyers in the Senate; but to me it seems that "on a contract basis" could mean that a Government official could interpret what was meant by those words, and the language might prove restrictive instead of expansive.

Inasmuch as the Senator did not have in mind using those words as words of art, it occurs to me that perhaps the Senator's intention could be carried out by the statement which he now has made, without the use of those words. I did not want to assume it without some explanation from the Senator as to why the words were used.

Mr. SIMPSON. I would agree to the deletion of those words, because I believe it is a very good amendment without the use of those words. As I said, the thought was that it would be done on a contract basis. We understand that a Government function in working on the basis of a contract, or in delineating specifications for it, could do a disservice to our country. I would be willing to accept the deletion of those words, because I believe the amendment would still remain a strong amendment without them.

Mr. JAVITS. Perhaps other lawyers in the Senate would like to examine the amendment. I notice that the Senator has made some changes in the sentence which he strikes out in section 621. A rather hasty reading indicates that the changes made include striking out the preliminary provision with respect to providing technical assistance under the act relating to such fields as education, health, housing, and so on. It provides:

In such fields as education, health, housing, or agriculture, the facilities and resources of other Federal agencies shall be utilized when—

Then, instead of "to the fullest extent practicable," the Senator provides "shall be utilized when such facilities are particularly or uniquely suitable to technical assistance."

Unwittingly we may be creating a vacant place. If we wish private enterprise utilized to the fullest extent practicable, and there is no private enterprise in a particular specialty available, or it is too expensive, the Senator states that in that case it is not practicable.

Now to move into the field of Government enterprise, or another department. In that connection the Senator says: "when such facilities are particularly or uniquely suitable for technical assistance."

Suppose the facilities are suitable, but it is still impracticable to buy from private enterprise what it is desired to buy. Does that mean that the amendment would set one up, and thus cause us to make the same mistake that we are trying to avoid?

I ask the Senator whether it might not be possible to obtain everything he wants by starting the last sentence of the statement: "consistent with the foregoing."

And then to continue and complete the sentence exactly as it is now. These are words in the law that are well understood. They have been interpreted by the Department. In short, if the Senator's primary idea is to have everything bought from private enterprise that is

practicable, the Senator might say: "consistent with the foregoing."

That is, buy everything from private enterprise that is practicable; use everything in government that is practicable; then the agency would have to do it itself.

I am merely asking questions, because, as the Senator properly says, his proposal fits in exactly with what I have tried to do in the Committee on Finance. May not that give the Senator a pattern of legislation, a pattern of enactment, which is precisely what he wants? I do not know; I am only asking the Senator a question.

Mr. SIMPSON. The difficulty with the experience there was in the absolute exclusion from section 621, which is the area that the Senator has just described.

That was the reason for saying "are particularly or uniquely suitable for technical assistance, are not competitive with private enterprise, and can be made available without interfering unduly with domestic programs."

We felt that that was a qualifying of section 621, to bring it into closer accord with section 601(b)(6).

Mr. JAVITS. I shall support the Senator's amendment, no matter what he does about the language. I say that for this reason: All these questions can be unraveled in conference. But it is extremely important, if we are to support the Senator, that we have an understanding of what he has in mind.

When the Senator from Arkansas [Mr. FULBRIGHT] and his colleagues rewrite the language in conference, if the Senator from Arkansas has voted with the Senator, then certainly they would wish to rewrite the language by dealing with the situation in a substantive way as the Senate intended it. I am trying to learn the Senator's intention, so that we may know what he intends.

Mr. SIMPSON. I have great regard for the Senator from New York. Probably I should have consulted with him in preparing the language of the amendment, because I think his suggestion is perhaps better.

Mr. JAVITS. The Senator is very kind.

Mr. FULBRIGHT. Mr. President, will the Senator from Wyoming yield?

Mr. SIMPSON. I yield.

Mr. FULBRIGHT. I should like to have the Senator explain, along the lines suggested by the Senator from New York, the real meaning of the language "shall utilize, to the fullest extent practicable."

Let us assume that an engineering problem arises. The Army Corps of Engineers has some outstanding experts, and we have faith in their ability. Would the Senator say that under his amendment the agency would have to hire private engineers, whose services might cost twice as much as those of the Army engineers, to serve on a consultant basis?

Mr. SIMPSON. I would not.

Mr. FULBRIGHT. Consider a private university as against a land-grant university. Suppose the agency needed, as it sometimes does, services in the field of technical assistance, services that could be performed by a university.

Would the Senator say that the agency would have to use the services of Harvard instead of those of the University of Minnesota?

Mr. SIMPSON. God forbid the former.

Mr. FULBRIGHT. Harvard is a private enterprise as opposed to the University of Minnesota, which is a public one. Does the Senator mean that services of the University of Minnesota could not be utilized?

Mr. SIMPSON. No. The Senator's suggestion is very helpful.

Mr. FULBRIGHT. Highway maintenance is another example. Problems arise in that field. The Government has what it believes to be an efficient Bureau of Public Roads. The Senator would not say, would he, that his amendment means that the agency would have to hire private engineers if Government engineers were available for the particular work involved?

Mr. SIMPSON. No; I would not. I thank the Senator from Arkansas for his observation. These are difficult problems to be included in language to be interpreted. At the same time, I agree with the Senator that it would not be my intention to require private services when public services could be obtained.

Mr. FULBRIGHT. With that interpretation—if the agency could use the services of public experts in this field—in the field of technical assistance, which is particularly where they might do a good job, I would have no objection to the amendment. With that interpretation, I think it is a matter of slight rewriting and a placing of a little different emphasis from what is contained in the bill. If that is the way the Senator means the language to be applied, I see no objection to the amendment.

Mr. JAVITS. Mr. President, will the Senator yield, to allow me to have this question clarified?

Mr. FULBRIGHT. Mr. President, does the Senator from Wyoming propose to strike out the words "on a contract basis"?

Mr. SIMPSON. I would be agreeable to that. That phrase does circumscribe the language in such fashion that there might be some difficulty in interpretation.

Mr. JAVITS. The Senator would have to obtain unanimous consent to modify his amendment, because the yeas and nays have been ordered.

We now have the Senator's intention. Let us forget the language that is in the amendment. Let us talk about his intention. The Senator has defined the word "practicable" and has had colloquies about it with the Senator from Minnesota [Mr. HUMPHREY] and the Senator from Arkansas [Mr. FULBRIGHT]. Wherever it is practicable to obtain goods and professional or other services from private enterprise, or private technical assistance, under this act, the Senator's amendment means that the agency shall proceed in that way.

Mr. SIMPSON. Yes; it does.

Mr. JAVITS. Clearly so. Second, if that were impractical, as the Senator has defined that word in his colloquy,

the next step would be to move to Government agencies which could provide such service.

Mr. SIMPSON. That is correct.

Mr. JAVITS. Lastly, if it could not be done in either of those two ways, under those priorities—priority No. 1 being Government, and priority No. 2 being other government, in the third place, the agency might do it itself.

Mr. SIMPSON. There would be no other choice.

Mr. JAVITS. Instead of trying to wrestle with the language, I think that is the intent of the amendment.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. SIMPSON. I yield.

Mr. MORSE. Senators are making a good legislative history as to the meaning, but perhaps we had better pause a moment and consider the language "on a contract basis" and make certain that we want to drop it. When the amendment reads, "to the fullest extent practicable, goods and professional and other services from private enterprise on a contract basis," how could one possibly make use of those services except on the basis of some contractual relationship with the Government. I think we have made the record clear that we do not mean "contract basis" in any narrow sense; but we certainly want the Government to enter into contracts with businesses and private entrepreneurs whenever it is found that it is practicable to have them do specific work. How else would they do it except on the basis of a legal arrangement with the Government? We could not find a better term than "on a contract basis."

Mr. JAVITS. Mr. Chairman, will the Senator from Wyoming yield?

Mr. SIMPSON. I yield.

Mr. JAVITS. I was concerned about the words "on a contract basis" as being words of art. The Senator has explained that they are not words of art.

Mr. MORSE. They are not.

Mr. JAVITS. We are standing here, somewhat ad hoc, and assuming that that is so. What concerned me was that when the Government lawyers interpreted the language, they might say, "We are sorry, but these words, in this section, mean so and so." Therefore, I was trying to make clear the Senator's intention, so that when the bill went to conference, and assuming the amendment was approved, the conferees would understand what the Senate intended—that we were not running afoul, and, therefore, could reach an agreement.

Mr. MORSE. I believe the legislative history has been established. My only difficulty was concerning the elimination of "on a contract basis." I did not know what the Government lawyers might assume that to mean. They might say that it did not leave them any modus operandi or any vehicle, since we had eliminated "contract basis"; therefore, their interpretation might be that they could not enter into a contract.

What is intended is to enable the Government to enter into a contract, but not in the limited, artistic sense to which the Senator from New York just referred. I think we have cleared that point in the legislative history.

My recommendation would be to leave the language "on a contract basis" in the amendment and let the legislative history speak the intent.

Mr. SIMPSON. I thank the Senator from Oregon. The feeling was that there would have to be a legal arrangement; and, of course, these are not words of art, as has been disclosed. The feeling is that whatever legal arrangement was made, it would naturally have to be on a contract basis. I suppose nothing would be gained by leaving the phrase out or in; but, by the same token, I would want to have in the amendment words that the committee would sanction.

Mr. FULBRIGHT. With this history, I do not see that the amendment is objectionable. Certainly some kind of agreement or contract would be needed. "Contract" used in that sense is a broad term, whether it be reduced to formal writing or be a verbal contract.

The main point I wished to make was that the agency would not be forced to pay twice as much to get an expert to advise it or to prepare a design for an irrigation or reclamation project, when one was available in the Government.

Mr. SIMPSON. I assure the Senator from Arkansas that my intention was the same as that of the committee—merely to bring unity into the act.

Mr. FULBRIGHT. Some of the scandals which have occurred in the past and which came to the attention of Congress arose, unfortunately, from contracts with American contractors, as in Saigon, and other places. The contracts did not reflect much credit upon the private contractor. They are not always without blame; they take advantage of the Government abroad as well as at home. So this amendment would not be a cureall for the whole program.

However, with the explanation that has been made, I am perfectly willing to accept the amendment. I think the Senator is emphasizing a point which is agreeable with the sentiment of the committee.

Mr. BENNETT. Mr. President, if the chairman is willing to accept the amendment, should a request be made to withdraw the order for the yeas and nays?

Mr. SIMPSON. Mr. President, I ask unanimous consent that the order for the yeas and nays be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, are we to understand that when the amendment uses the words—beginning in line 11, on page 1, and continuing in line 1, on page 2—"are not competitive with private enterprise," the Senator from Wyoming construes them to refer to the phrase "to the fullest extent practicable," in regard to the use of private enterprise, as he has defined it?

Mr. SIMPSON. Yes.

Mr. JAVITS. Because otherwise the word "practicable" would not be effective in that connection.

Mr. SIMPSON. I fully agree.

Mr. JAVITS. I thank the Senator from Wyoming.

The PRESIDING OFFICER. The question is on agreeing to the amendment No. 308 of the Senator from Wyoming

[Mr. SIMPSON] to the committee amendment, as amended, in the nature of a substitute.

The amendment to the committee amendment, as amended, was agreed to.

#### QUALITY FOCUS ASKED IN AID

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to have printed in the RECORD an article in regard to the foreign aid bill being considered by the Senate. The article, which was written by Godfrey Sperling, Jr., and was published in the Christian Science Monitor, deals with an interview with Mr. Eugene R. Black, formerly president of the International Bank. The article is pertinent to this debate, and I ask unanimous consent to have it printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### BLACK AINS VIEWS: QUALITY FOCUS ASKED IN AID

(By Godfrey Sperling, Jr.)

NEW YORK.—Eugene R. Black, one of the architects of the Clay advisory report on foreign aid, says "there is too much emphasis on quantity, the amount, and not on quality in foreign aid."

By "quality," the long-time president of the World Bank and now with Chase Manhattan as a director, means "making certain the aid is used for the proper project, that the project is selected because of priority of need, that the project is carefully engineered and studied before money is advanced."

However, he adds, "it would be very unfortunate if the amount (being asked for foreign aid by the administration) is reduced below what the Government asked for."

"Aid should not be given a country," he said in an interview, "when it is not willing to put its financial affairs in order." He continued: "A country should be willing to take steps to control inflation, undertake tax reform—to do its part."

The interview covered a wide variety of subjects, including how to speed collection of United Nations assessments, the balance-of-payments problem, and the domestic economy. Mr. Black is financial consultant to U.N. Secretary General U Thant.

#### AN EYE ON CONGRESSIONAL DEBATE

"Foreign aid, at best," he continued, "is only part of the effort to solve the problem of economic development. Countries, through their own efforts, must do much of the job themselves. They can't unless they put their financial affairs in order."

Here, undoubtedly with an eye on the current debate in Congress, Mr. Black said: "We would find less difficulty in getting foreign aid passed if we put the emphasis on quality."

He said that "most of the talk" in the past, in furnishing reasons for foreign aid, has centered on "preventing the spread of communism and making friends with nations." This approach, he says, "hasn't worked." Instead, he said, the focus should be primarily on doing a qualitative job.

This qualitative objective, he said, "can best be achieved through multilateral aid. I was happy to see that the Senate Foreign Relations Committee recommended that more aid should be channeled through multilateral organizations."

#### INTERNATIONAL APPROACH FAVORED

Mr. Black said that as much aid as possible should come through international organizations like the World Bank:

"That is the way to really do a job in developing the country—not [restricted] by political or commercial motives."



"If the World Bank makes a loan to a country, the country can ask for bids and make its own decision on who will do the work." This decision, he said, can be made without reference to what country gave the aid—but just on what bidder is best qualified to undertake and complete the project at the lowest cost.

"The primary objective of an international organization in giving aid," he emphasized, "is developing a country—not in selling goods of any one country or in political motives."

"As you know, there is quite a discrepancy between the House and Senate (in the foreign aid amount). It will be too bad if the findings of the Senate Foreign Relations Committee are reduced in any substantial way."

What of his job as financial troubleshooter for the U.N., where he was selected as special financial consultant last spring to speed collection of assessments from lagging U.N. members?

"What I've been doing is this," said Mr. Black. "I've made a very careful survey of the status of the different countries."

"I've been trying to collect from those in arrears, and there has been some success."

"However, I haven't come up with a solution to put the United Nations in good shape."

He said the main problems are political, the unwillingness of the Soviet Union and France to pay for the Congo operation, the unwillingness of the Arab countries to pay for the Gaza strip operation that followed Suez, and so on.

"This is not a lack of ability to pay assessments," he said. "It is political."

"However," he said, "I've been working at it (collecting). When money is due or overdue and not overdue because of political aspects, I am having some success."

Focusing on his collection problems, he said: "The trouble is . . . in the U.N. Charter . . . you don't have any punitive powers . . . only if a nation's arrearages amount to 2 years of accumulative assessments."

Detailing his problem, he said:

"Take a golf club: You don't pay dues for 2 years, and they would put you out of the club before the 2 years is out. Not in the U.N., you don't have to pay for 2 years. When arrearage amounts to 2 years' assessments, then this is what can happen:

"The nation will lose its vote in the General Assembly. But it won't lose its vote in the Security Council. It won't be thrown out of the U.N. And it still can talk all it wants."

"Also a country with quite a lot of accumulative arrearage can pay only a very little just before the amount reaches 2 years—and then stay in (the General Assembly)."

"If the U.N. could change this—so nations would have to pay up right away—it would provide a powerful [leverage]."

Referring to the \$200 million in bonds, Mr. Black said: "\$140 million have been sold . . . if the rest could be sold, it would be helpful in terms of the U.N. deficit." Of the U.S. agreement to match purchase of the bonds up to \$100 million, he said: "The other nations have only bought about \$70 million."

On other subjects, Mr. Black had this to say:

#### BALANCE OF PAYMENTS

"I think the Government is doing some constructive things to ease this problem. It is a serious problem. The Government is aware of that. It is employing various ways and measures in solving it. The Government must always be careful to watch the soundness of the dollar. I think this is one of the things to watch—the expenditures of the Government, how much you spend. Spending over our head will dilute the soundness of the dollar and aggravate the balance-of-payments problem."

"We must do everything possible to encourage exports. We have to, for we are in a competitive position. There can be a labor problem here, too: If labor is not willing to cooperate, we cannot be in a competitive position with the rest of the world when it comes to exports."

#### DOMESTIC ECONOMY

"The economy looks very favorable. An important factor, the auto business, is very fine. . . . people are optimistic about its continuing for a while."

"I think a lot of people feel if this business climate is to be sustained, a tax cut is important. . . . There has been so much talk about a tax cut, that, from a psychological standpoint, it would not be good if there were no cut."

"I think there will be a tax cut, perhaps this year, certainly by the next session of Congress."

"But [along with it] I think there should be a very determined effort to hold down on Government expenditures."

Financial study for projected supersonic commercial jetliner (for which Mr. Black was recently appointed special financial adviser to President Kennedy): "I haven't made up my mind. . . . It is proving an exhaustive study. . . . We have been calling on aircraft manufacturers, engine manufacturers, airline corporations, and various agencies in Washington. I am supposed to make a report to the President . . . but I haven't crystallized things yet. There are a whole lot of very serious problems in connection with this, money and other aspects. . . . The report may come from the President when it is made public. . . . It may come in the next month or so."

#### THE TAX BILL

Mr. FULBRIGHT. Mr. President, the tax bill now being considered by the Senate Finance Committee is one of the most important economic measures to come before the Congress in recent years. Since it is a matter which eventually will receive the serious attention of each Member of the Senate, I wish to call attention to a recent speech by the Honorable Henry H. Fowler, the Under Secretary of the Treasury. He began by asking three fundamental questions, which are basic to consideration of the proposed legislation. The questions he asked are:

First, is the national interest served by the enactment of a law substantially reducing the rates of Federal income taxes?

Second, should this rate reduction be a balanced one designed to increase both consumer purchasing power and direct investment incentives or be predominantly aimed at only one of these objectives?

Third, is the early enactment of the tax program likely to be more beneficial to the national economy than a later one next year?

I think the points Mr. Fowler brought out in answering these questions are very persuasive, and deserve careful consideration by all Senators, regardless of their views on the tax bill.

In connection with the tax bill, we have heard much discussion of the problems of controlling Federal expenditures. It is my conviction, and I am sure it is also Mr. Fowler's, that expenditure control will be far easier to achieve and maintain if we act promptly to reduce the level of Federal income taxes, which will, in turn, stimulate a better rate of economic growth. Mr. Fowler, in his speech, dealt with the need for prompt

action. He also dealt specifically with the administration's record and the administration's intentions for controlling spending.

On this point, I wish to quote from an editorial which was published in the November 2 issue of Business Week magazine. I commend the full editorial to Senators and other readers of the RECORD as a thoughtful treatment of a problem that concerns all of us. The editorial reads in part as follows:

There should be no mistake about one thing, however: The good intentions of the administration (and of Congress) on expenditure control cannot survive unless Congress passes the bill to reduce taxes. Secretary Dillon has been perfectly frank—and correct—in explaining why: If this country begins to slide down into a recession, the political pressures upon the Government to do something about high unemployment will compel Congress and the administration to increase expenditure programs. Inevitably some considerable part of these increases will become permanent fixtures in the budget. It is pointless to say this is a hypothetical argument; exactly that has happened time and again, under both Democratic and Republican administrations.

I ask unanimous consent that Mr. Fowler's speech and the Business Week editorial be printed at this point in the RECORD.

There being no objection, the speech and the editorial were ordered to be printed in the RECORD, as follows:

REMARKS OF THE HONORABLE HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY, AT THE 23d ANNUAL SYMPOSIUM ON ACCOUNTING AND TAXATION OF THE NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, THE CAROLINA INN, CHAPEL HILL, N.C., SUNDAY, NOVEMBER 3, 1963

There is pending before the U.S. Senate the most significant piece of economic legislation in the last 15 years—the proposed Revenue Act of 1963. This bill passed the House of Representatives by a substantial majority on September 25. It embodies the principal recommendations of a tax reduction and revision program recommended early in January by President Kennedy to meet the leading economic problems of the past 6 years—chronic unemployment, under utilization of industrial capacity, inadequate growth, and continuing deficits both in our international balance of payments and in our Federal budget.

The bill would foster a more prosperous economy by loosening the constraints which the present Federal tax system imposes on our private enterprise system. Through a top-to-bottom reduction in the high income-tax rates imposed during wartime to restrain less essential consumption and investment, accompanied by some structural revision to broaden the tax base and remove some inequities, this bill is designed to release and encourage the inherent expansionary forces in our great private market economy. Instead of seeking to gratify particular groups of taxpayers with special tax preferences, the objective of this tax bill is to achieve the increases in jobs, wages, salaries, profits, consumption, investment in the United States, and Federal tax revenues that an invigorated private economy can provide.

Out of the debate of this legislative proposal three fundamental issues have emerged which I should like to discuss here tonight. They are:

1. Is the national interest served by the enactment of a law substantially reducing the rates of Federal income taxes?

2. Should this rate reduction be a balanced one designed to increase both consumer purchasing power and direct investment incentives or be predominantly aimed at only one of these objectives?

3. Is the early enactment of the tax program likely to be more beneficial to the national economy than a later one next year?

The first issue, whether the national interest is served by the substantial reduction of Federal income tax rates, is more realistically confronted in the perspective of both a backward and a forward look, before the last 6 months and beyond the next 6. Much more is at stake in deciding this question than a temporary economic pickup or averting an early recession. Our goal must be a sustained economic expansion which will produce jobs, income, profits, and tax revenue at a significantly higher level over the long-term future. What is at stake is the achievement of a higher normal level of economic activity than that which characterized the last 6 years.

Some will ask why must we do anything? They will say we seem to be doing fairly well, particularly in the last few months. The gross national product and industrial production and people employed are at an all-time high—along with the stock market, profits, plant and equipment expenditures and many other indexes of prosperity.

It is true that the short-term view is a somewhat pleasant one. Many individuals and businesses are comparatively well off, particularly if the situation is measured against some of the dark and uncertain periods of recent years. It is true that there is a clear prospect into the first months of next year for continuing upward movement, even after 32 months of expansion. This outlook is based upon such favorable factors as increasing business investment in plant and equipment, increasing consumer spending, in spite of a drop in retail sales in September, rising Government outlays in the fourth quarter, and a balanced and reasonable relationship between inventories and sales.

But the issue we are considering is not answered by a look at our particular personal or business picture of the outlook for some temporary additional improvement. The hard fact is that, even with the current economic advance setting new records in terms of gross product, sales and other similar categories, its pace and scale leaves the national economy with too many unemployed, too much unused capacity, too little investment and growth, a continuing imbalance in our international payments and Federal budgets, and a large and ever increasing gap between potential and performance. The truth is that our national economy has not been performing adequately, and as a nation we must do better.

Let us review the past and look into the future.

Unemployment has varied from 5 to 7 percent for more than 5 years, averaging 6 percent. Today unemployment has been reduced to 5½ percent. But that happened earlier in this economic expansion, and we have had to work hard to get back down to the present level. Five and a half percent is too high, and we must do substantially better. Today around 4 million Americans who are actively looking for work are unable to find it. During the year which ended last June 30 more than 1 million workers were added to the labor force, but 1 out of every 6 also joined the ranks of the unemployed. As the postwar baby boom hits the labor market, and it is just beginning to do so, the pressure to create more new jobs will increase with a flood tide of new young people entering the labor force. In addition we need to provide at least a million jobs

a year for those workers idled by technological advances. An additional million or more jobs will be required to bring unemployment down to our interim goal of 4 percent.

This problem is of great concern to the leaders of labor, to our mayors and governors, to our legislators and to business. W. P. Gullander, president of the National Association of Manufacturers, has estimated that if our economy keeps on producing jobs only at the level of recent years, by 1970 unemployment could rise to a staggering 12.7 percent. If there were no other consideration at all, the need to create additional jobs would make the tax program a matter of compelling urgency.

But there are other vital considerations as well. Our international balance of payments has been a cause for concern ever since 1957. The persistent large deficits in our balance of payments have led to a marked drain on our national gold stocks. This situation must not be allowed to persist because ultimately it could threaten the value of the dollar, which is the base for the free world monetary system. President Kennedy recently announced a new series of measures to cope with the balance of payments. He made it abundantly clear that the tax program is the vital element in any long-range solution of this problem. For a tax cut is needed both to sharpen American ability to compete with foreign goods in markets abroad and at home and to make the United States a more attractive place for the investment dollar to stay and be joined by a stream from abroad. These are the two means we should depend upon primarily if we are to bring our international payments into balance, without relinquishing our responsibilities for leadership in assuring free world security and development.

A third measure of our inadequate economic performance over the past 5 or 6 years is the deficit in the Federal budget. The Federal budget has had five deficits in the past 6 years—deficits which averaged \$6.3 billion a year. Those deficits were clearly the result of the failure of our economy to perform at its higher potential. Consequently, tax revenues failed to reach adequate levels, and a deficit occurred.

Only an economy, enabled by a new tax policy for growth to operate at or near full employment, with a rate of growth substantially exceeding the record of the past 6 years and the adoption of a firm national policy to hold down increasing Federal expenditures can wipe out this pattern of deficits and lead to a new era of balanced budgets and surpluses.

Finally, our national growth rate of barely 3 percent since early 1955 compares unfavorably with regular rates in Western Europe of 4 to 6 percent, and even with our own 4 percent trend in much of the period before 1955.

By almost any measure you choose, our economic performance over the past 5 or 6 years has been far from adequate. With the exception of the depression, no period in this century has witnessed such a persistent underutilization of productive resources in the United States.

The time is ripe for a wave of U.S. economic expansion closer to the recent rapid pace in Western Europe than to our own slack performance since 1957. Many long-term factors for growth are more favorable today than they have been in almost a decade. But, some determinative elements of long-term national policy remain to be fixed. It is quite clear that the unemployment and unused plant capacity and inadequate growth rate that have marked our recent past, and which we can expect in the period ahead if some new decisive initiative is not undertaken, will cause the country to take some kind of action. This Nation is de-

termined to move boldly and forcefully toward an economy with a more rapidly rising level of activity. We must choose how and when to do it.

Faced with a balance of payments problem that seriously limited the possibility of relying upon sharply decreased interest rates and greatly increased supplies of money and credit, President Kennedy in January offered his program of tax reduction and revision as the key element in the administration's economic program for the years immediately ahead.

This program and the 7-percent investment tax credit enacted in 1962 together with the administrative liberalization of depreciation were a package designed to eliminate an unduly heavy tax drag on purchasing power and demand—to provide new tax incentives for more investment and increased effort—to encourage the utilization of new technology and the provision of new facilities that would add to aggregate demand, capacity and competitive efficiency. It involves a basic restructuring of our tax system, a restructuring to be achieved mainly through the single most important tax reform—reduced rates. The adoption of this policy would be a giant step toward a tax structure which interferes as little as possible with the operation of the free market mechanism while supplying the revenues necessary to our national security and national public needs.

Chairman McNALLIS in opening the debate on the proposed Revenue Act of 1963 in the House of Representatives put the issue squarely. He said: "I am convinced that there are two roads the Government can follow toward the achievement of this larger and more prosperous economy. I believe we are at the fork of those two roads today. One of these is the tax reduction road. The other is the road of Government expenditure increases."

There is a vital difference between these two routes. To depend upon massive increases in Government expenditures as the primary reliance for a higher level of economic activity is to expand the role of Government in making and carrying out economic decisions. An ever larger proportion of the Nation's labor and money will be used directly by the Government. The Government's activities as a buyer, lender or donor will determine in larger and larger part the use of labor and capital even in the private sector of the economy.

The Federal Government has many appropriate functions in dealing with problems of employment and unemployment. For example, there is great need for both governmental action—Federal, State, and local—as well as private action, to meet the problems of structural unemployment—the fact that the locations, skills, education and training of available workers do not match the needs of employers. The Manpower Development and Retraining Act and the Area Redevelopment Act are responsive to this need.

But the declaration of policy in the Employment Act of 1946 directs that the Federal Government, in promoting maximum employment, production, and purchasing power, shall coordinate its plans, functions, and resources for creating and maintaining these conditions "in a manner calculated to foster and promote free competitive enterprise and the general welfare." I believe we all share the conviction voiced by President Kennedy last year when he said: "The free market is not only a more efficient decisionmaker than even the wisest central planning body, but even more important, the free market keeps economic power widely dispersed. It thus is a vital underpinning of our democratic system."

In any choice of fiscal policy between a primary reliance on massive increases in Government expenditures or a private econ-



omy invigorated by new tax measures as the way to a higher level of economic activity, we as a nation prefer to rely primarily on a more prosperous and efficient private economy initiating a larger and larger volume of economic activity under the stimulus of generalized tax incentives. The President in his tax message in January made his clear and unequivocal choice saying: "I do not favor raising demand by a massive increase in Government expenditures. In today's circumstances, it is desirable to seek expansion through our free market processes—to place increased spending power in the hands of private consumers and investors and offer more encouragement to private initiative. The most effective policy, therefore, is to expand demand and unleash incentives through a program of tax reduction and reform, coupled with the most prudent possible policy of public expenditures."

The passage by the House of Representatives of the proposed Revenue Act of 1963 is a firm, positive assertion of its preference for the tax reduction, private enterprise, Federal expenditure control road to a bigger, more productive economy.

If the opportunity to move down that road by enactment of that bill is passed up, then the likelihood is greatly increased that the economic problems of the past decade—which are the economic problems ahead for the sixties—will be met by a National Government that takes a role in our economy on a scale and a dimension never before undertaken by it except in times of all-out war or crash buildup for one.

There must be and is full recognition that, if the tax program is to attain its objectives, it must be carried forward as a part of a sound and consistent overall financial program. In particular, that program has two main elements: first, a substantial net reduction in Federal taxes, through a meaningful lowering, in several stages of tax rates on individual and corporate income from "top to bottom"; and, second, as the tax cut becomes fully effective and the economy expands in response, the allocation of a substantial part of the resulting revenue increases each year toward eliminating the transitional deficit.

The tax program, with related policies of expenditure control, debt management and monetary affairs, seeks to establish a financial environment suitable for the sixties, so that we can take full advantage of the gathering forces for economic progress inherent in our growing labor force, our unprecedented expansion in research and development, and the new market opportunities that exist at home and abroad.

The Joint Economic Committee of Congress has estimated that a \$10 billion tax reduction such as the President proposed would increase our gross national product by approximately \$40 billion in the years just ahead over what it would be under the present tax structure. It would add an extra layer of growth onto what we could expect from existing arrangements.

It has been estimated that such an addition would create somewhere between 2 and 3 million new jobs.

Increased job creation will be a continuing, rather than a single-shot effect of the tax program designed as it is to create a healthy environment of sustained demand and investment incentives conducive to a full employment economy. Through the interaction of investment, demand, and profits, the tax program will foster an upward spiral of economic activity which will generate new and sustained vitality. The result will be not merely 3 million jobs but a continuing high level of job production resulting from an economy operating at full potential.

The early enactment of a law substantially reducing the rates of Federal income taxes

has been strongly endorsed by a broad cross section of the leaders of business and labor, by financial leaders at home and abroad, some 42 Governors, and by a long list of the most distinguished economists in our universities. After months of public discussion in the press and other media, the proposed Revenue Act of 1963 was approved by a very substantial majority of the House of Representatives.

In sum, there is a national consensus that the national interest is served by the enactment of a law substantially reducing the rates of Federal income taxes.

## II

This brings us to our second issue: namely, should the tax rate reduction program so widely endorsed be a balanced one designed to increase both consumer purchasing power and direct investment incentives or be predominantly aimed at only one of these objectives.

You all know the poem about the different descriptions given by six blind men each of whom had grabbed hold of a different part of an elephant. The public discussion about the kind of a tax cut contained in the bill as it passed the House is like that: you'd never think people were talking about the same tax bill. This is particularly true of the issue of how the tax reductions should be divided. Some think low income taxpayers get too much, others too little. Some think the upper income taxpayers should get more, others less. Many who argue that the low income taxpayers should get a larger share of the reductions say that tax cuts for corporations and individuals in the upper and middle income brackets are wasted because the way to increase investment and jobs is to increase consumer purchasing power. Conversely, many who argue that upper or middle income taxpayers and corporations should get a larger share say that tax cuts for those in the low income brackets are wasted or will provide only a one-shot stimulus and that the way to increasing growth is to increase direct incentives to investment.

One of the chief virtues of the tax bill now before the Senate Finance Committee is that it incorporates the constructive advice of both sets of critics but rejects their "whole hog or none" approach. The result is that it is a soundly balanced bill—one purposefully designed to provide both additional consumer purchasing power and direct investment incentives.

The short answer to these critics of the mix of tax reduction in the bill is that both approaches interacting together will achieve a more dynamic and healthier economy than would result from a reliance upon one method to the virtual exclusion of the other.

The bill provides a substantial stimulus to consumer purchasing power. Of the reductions to individuals, amounting to \$8.9 billion, it is reliably estimated that about \$8 billion will be spent on additional consumption. These expenditures will set in motion the familiar economic process in which money circulates throughout the economy and ultimately increases consumer spending by several times the amount of the initial tax cut—the so-called multiplier factor. That strong and sustained rise in consumer demand—and thus in markets and profits for industry—will further bolster the direct tax incentives to investment.

The estimated difference between the amount individuals receive and consume, approximately \$900 million, will go into investment or savings. This sum and a \$2.2 billion reduction going to corporations, when added to last year's investment credit and revised depreciation guidelines which reduced tax liabilities of corporations and unincorporated businesses by \$2.5 billion, con-

stitute a substantial program of direct incentives to investment totalling \$5.6 billion per annum. Much of this amount will be invested. Besides, the incentive of lower tax rates is likely to draw additional moneys from other savings into investment in job producing facilities and services. Thus the operations of these direct investment incentives will add to the total of consumer purchasing power in the hands of additional jobholders, suppliers, et cetera. This process adds what the economists term an accelerator effect to the processes of growth that will flow from the tax program.

The interaction of these two facets, with the one aiding and abetting the other, is of vital importance.

This balance of \$8 billion of tax reduction for consumption and approximately \$5.6 billion for direct investment incentives was adjudged to be appropriate by the House Ways and Means Committee after hearing most of the same witnesses now appearing before the Senate Finance Committee make the same points. This two-pronged character or balance in the tax program is perhaps the most important and most overlooked aspect. It is likely to be the decisive factor in assuring that the program finally adopted will not substantially alter the balance arrived at and will include both a stimulus to consumer purchasing power and direct investment incentives.

To those critics of the present bill who would eliminate or sharply reduce tax cuts for taxpayers in the relatively lower income brackets—say below adjusted gross incomes of \$10,000—the answer must be that they account for close to 85 percent of all taxable returns and are likely to put a large part of their tax savings into the spending stream. In other words, this is where the customers live. Under the current bill they get nearly 60 percent of the overall individual reduction, with their share of the load being decreased from 50 to 48 percent.

To encourage investment in job producing facilities, strengthening of consumer demand is required. The purchasing power of the consumer must be increased to utilize present productive capacity fully so that additions to productive capacity will be worthwhile. Of course if the economic situation were different—if all of our economic resources were fully employed—strengthening of consumer demand might not be as important as it is today. But we do not have a full employment economy and we are not utilizing existing productive capacity to make sufficiently inviting the provision of additional capacity for old products or the new capacity for new products that would make for a more dynamic economy.

For example, even though the Nation is enjoying a recovery and expansion that has already lasted 32 months, average operating rates in manufacturing have not reached a point of providing either the rate of utilization that would trigger the scale of expansion we need or the rate of profits that would invite it. In that time average operating rates for manufacturing have gone from 77 to 87 percent of capacity but production is substantially below the 92-percent average rate considered as normal by business itself.

Most of the increase in capacity utilization occurred in 1961, with very little improvement since the beginning of 1962. From the first quarter of 1962 to the third quarter of 1963 the average rate of utilization of plant and equipment in manufacturing rose from about 85 percent to about 87 percent of capacity. Although after-tax profits have risen approximately 40 percent, from \$19.2 billion to \$26.8 billion in this recovery, they are still short of the \$30 billion a year that would be earned if the Nation's present facilities were operating at what would be considered normal capacity utilization.

But consumer demand is not the whole story. A direct stimulus to investment is also needed. While it is true that if a sufficiently strong increase in consumer demand is provided this will increase investment through "demand pull," it is equally true that a more dynamic and healthy expansion in investment will come from a combination of increasing consumer demand and direct investment incentives.

Characteristically, those who are critical of the inclusion of a corporate tax cut and reductions in the rates of those whose adjusted gross incomes exceed \$10,000 per annum argue that business has plenty of cash and credit available today and there is no need for more direct investment incentives.

This prompts a closer examination of why it is desirable to provide direct incentives to investment through tax reductions in addition to those reductions which provide a significant increase in consumer demand. Let us consider for a moment the problem of an individual, a partnership, or a corporation deciding whether to make an investment in new plant or equipment or the provision of services.

Anyone facing an investment decision considers two things above all: First, the nature and period of risk involved in the investment; and second, the likelihood of a favorable return. The decision of a board of directors will not be determined merely by consideration of the extent to which total personal income next year is likely to exceed the current figure. Certainly demand will be important to them, for no one expects to invest in order to produce when there is no expectation of having a market for one's products. And certainly the effect of demand on the overall economic outlook is a matter which will be given serious consideration in making such a decision.

But one of the vital factors in any marginal investment decision is the rate of return—the increase in after-tax income in return for a given outlay in investment. This is where the direct stimulus to investment provided in the current tax program will play an important part. In combination with last year's 7-percent investment credit and depreciation reform, the proposed reduction in the corporate tax rate from 52 to 48 percent, together with the liberalization of the credit, would increase the after-tax profitability of new investment in 10-year assets, for example, by an estimated 35 percent. That, I submit, is a fact which will weigh very heavily in any investment decision. These considerations apply not only to expansion of capacity to make standard products and new capacity to make new products, but also to the modernization of existing facilities to provide existing products on a more efficient basis.

In 1956 and 1957 business fixed investment averaged 11 percent of total output. Since that time it has fallen to roughly 9 percent. Since 1957 the rate of increase in our stock of business plant and equipment has risen by less than 2 percent a year, compared to 4 percent a year in the first postwar decade. Furthermore, there has been a disturbing rise in the proportion of our machinery and equipment which is more than 10 years old. Corporate profits and the ratio of expenditures on plant and equipment to gross national product have been below previous postwar levels. Our rich store of research and development has not been joined to capital and labor to produce the explosion of new products, services, and jobs of which the Nation is capable.

Moreover, critics of the tax bill on the score that it includes direct incentives for investment when business has adequate or more than adequate funds to finance new investment ignore several important points. The tax bill does not afford a cash flow increase to much of the corporate sector. Simultaneously with the rate reduction it requires

corporations with incomes in excess of \$100,000 to initiate a tax payment schedule whereby they will be making their tax payments current by 1970. In the interim, although their tax liabilities will be reduced as a result of the corporate rate reduction, these larger companies will not have the benefit of an increased cash flow as a result of the corporate rate cut.

More significantly, the critics ignore the fact that despite the general availability of money in corporate treasuries and credit in the capital market for large companies for investment needs, many small firms simply are not in a position to take advantage of investment opportunities by borrowing. These smaller companies must finance their expansion and modernization for new ventures out of their own internal financial resources. They very much need the increased cash flow of the rate reduction for corporations.

Indeed, they need more than the mere reduction of the overall corporate rate from 52 to 48 percent provided by the bill. For that reason the new bill contains a provision providing immediate and substantial investment incentives to smaller corporations. For 1964 the present normal tax of 30 percent, applicable to the first \$25,000 of taxable corporate income would drop to 22 percent. Thus an immediate tax reduction of almost 27 percent would be provided for 467,000 small corporations in the United States with earnings of less than \$25,000 per year. The entire tax program including this change would provide a 17.9 percent reduction in an additional 54,000 corporations whose incomes were less than \$50,000 and a 9.5 percent reduction for the 25,000 companies whose incomes were less than \$100,000.

The critics of reductions in individual tax rates of those with adjusted gross incomes in excess of \$10,000 should remember that of the 11 million businesses in the United States, 10 million are sole proprietorships or partnerships and many are established and operated by individuals in these higher brackets. These are the people who would be most likely to invest tax savings in the business or businesses which they are operating, which in turn might provide more jobs or facilities.

A second major reason for direct investment incentives is the characteristic lag of indirect investment stimulus resulting from "demand pull." In other words, demand has to make itself felt in the economy and in the particular sector of the industry in question before it will significantly affect investment decisions. Then, there is the further delay for investment decisions to be translated into reality. If there were any possibility of inflation in the tax program reducing the stimulus to investment would greatly exaggerate it. Price increases are most likely to occur when demand outstrips production and the utilization of efficient capacity. If production and the quantity of efficient capacity expand to keep pace with demand, the danger of inflation is kept at a minimum.

Third, direct tax incentives will affect favorably our balance of payments. To the extent they encourage modernization and new products they enhance our ability to compete at home and in the export market and thereby maintain or expand our trade surplus. It is equally important to our balance of payments to increase the attractiveness of investment opportunities in the United States. These are important because capital outflows for long-term private investment abroad represent a significant part of our balance-of-payments deficit.

Finally, one of the most overlooked aspects of creating a sustained economic expansion is the need to utilize the fruits of new technology in the form of new products or the adaptation of existing products to

new markets. Increasing the profitability of new investment is the most effective way to make more attractive the investment decisions which are not being taken today. It is the most effective way to make the submarginal project of today the supermarginal project of tomorrow. It is the most effective way to maximize the benefits of the tremendous technological, educational, and human resources of the United States. As new techniques and new products are developed and as new markets are opened up new demand will be created, new investment will be fostered, and new jobs will be available that would never have been available otherwise.

This then is the crux of the situation. We must have a stimulus to expansion that is continuing, self-sustaining, and self-reinforcing. Neither direct investment incentives nor increased consumer demand will do the job alone as well as the two joined together. A combination of the two will interact in such a fashion as to foster an acceleration of economic activity, which should continue for years to come to produce jobs and raise output more effectively than the same amount of tax reduction devoted solely to either investment or consumer demand.

### III

This brings us to the third issue—whether the early enactment of the tax program is likely to be more beneficial to the national economy than a later one next year.

Many favoring tax reduction in the abstract feel that it should be enacted only in the context of fiscal responsibility, and deferred until there is convincing evidence of accomplishment in the control of the increase in Federal expenditures and the reduction of deficit financing.

In fact an effective program of expenditure control is well underway and convincing evidence of accomplishment is already at hand:

1. According to the Director of the Budget, the need for continuing expenditure increases for defense has just about ended and will soon taper off on space programs, which together with interest on the debt, have accounted for more than 70 percent of the budgetary increase from fiscal 1961 through fiscal 1964.

2. Since proposing the tax program in January the fiscal 1963 deficit has declined from an estimated \$8.8 billion to an actual \$6.2 billion—and two-thirds of that decline resulted from lower expenditures.

3. In proposing the tax program last January, the President budgeted less for the civilian sector of the 1964 budget (excluding defense, space and interest) than in the previous year—only the third time that has been attempted in 12 years, during a period in which population has increased and State and local government spending has grown at a rate averaging more than 15 percent a year.

4. Fiscal 1964 expenditures are currently estimated at \$1 billion below last January's estimate. In the first 3 months of the fiscal year 1964 (July through September) expenditures in the civilian sector of the Federal budget were \$107 million less than the same quarter last year.

5. This September there were 242 less regular civilian Federal employees on the payroll in the executive branch than in September last year.

6. Chairman CANNON, of the House Appropriations Committee, has observed that new appropriations may aggregate less than last year's total—the first time that will have been done in some years.

7. As for the fiscal year 1965 and following years, the President has assured the Congress that he intends to maintain a tight rein on expenditures and that a substantial part of the tax revenues from economic expansion will be used to reduce the budgetary deficit until balance is reached.



8. On this basis—and barring an unforeseen slowdown of the economy or international contingency—the President expects to submit a budget for fiscal 1965 with a deficit less than presently forecast for fiscal 1964, despite the fact that the second stage of the tax reduction will have gone into effect and that the revenue loss from tax reduction in 1965—before feedback—will be \$5 billion greater than in 1964.

9. The House of Representatives has emphasized these factors by specifically including in the bill as section 1 a declaration of policy which reads as follows: "It is the sense of Congress that the tax reduction provided by this act through stimulation of the economy, will after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt."

The President endorsed this statement before the vote.

These facts, plus the even more fundamental one, that expenditures can never exceed the amounts actually appropriated by the Congress—which controls the Nation's purse strings—makes it difficult to justify postponement of a final Senate vote on the tax bill for an alleged lack of evidence of an expenditure control policy.

This is particularly true in the light of the cogent reasons for an early and prompt disposition of this particular piece of legislative business.

The economy is still expanding, but there is still a large gap of unused manpower and capacity. The economic climate is good. In this setting the enactment of the tax program now would maximize its effectiveness in achieving its initial purpose—to move the economy to full employment and a more effective utilization of all our resources—particularly our increasing human resources.

To wait until some later time and risk joining the tax cut to a receding or leveling economy is to put it to its appointed task under adverse circumstances. The overriding purpose of the tax program is not to arrest a recession but to move an advancing economy into a scale and pace commensurate with its responsibilities and our national needs.

If the tax program is an effort to remedy the withdrawal from the private economy of too much of the Nation's substance in the form of taxes, to lift the tax drag, and to restore some needed incentives for job-creating investment, the sooner the remedy is applied the better.

If, in addition to its long-term objective, the enactment of the tax program is viewed as antirecession insurance, the time is ripe for taking out that insurance. The patient is well and insurable, but he is moving into a vulnerable period of his life. By next April 1, it will have been 37 months since the end of the last recession. If the economy is still advancing, it will be the longest peacetime recovery in the century with the exception of the 1933-37 pullout from the great depression.

So on either premise—that the economy will continue to expand or begin to contract—the earlier the enactment of the tax program the better.

Another time factor is the need to achieve, as soon as possible, an equilibrium in our international balance of payments. Continued deficits in our payments situation, with their potential drain on our gold supply and threat to the role of the dollar as the principal reserve currency, provide a compelling reason for prompt action on the tax program. The net outflow of long-term investment (\$2.5 billion) in 1962 was the single biggest source of disequilibrium. A rapidly expanding economy, sustained by a tax cut, would attract investment dollars from domestic and foreign sources, sharpen

our competitive edge and opportunity for an increasing trade surplus, and free up our monetary tools for use in event interest rate differentials trigger further outflows.

Delay in the passing of the tax bill may mean more than missed opportunities; it may do positive harm. The tax program has become the leading psychological factor in the world of business and finance. It is viewed, rightly or wrongly, as the touchstone for progress and the element of promise for the long-term future. Business expansion and consumer buying in a large measure reflect confidence in the future. Expectations of the enactment of the tax program have become a built-in factor in the hopes and aspirations of the business and financial world. To frustrate those expectations by delay and doubts as to the future passage of the bill entail serious economic risks that may ensue from diminished confidence.

The answers to the three questions with which we began, then, are:

Yes, the national interest would be served by the enactment of a law substantially reducing the rates of Federal income taxes.

Yes, this rate reduction should be a balanced one designed to increase both consumer purchasing power and direct investment incentives.

And, yes, the national economy is far more likely to be benefited by an early enactment of the tax program than by a later one next year.

You may well have anticipated these conclusions. To me, they seem to be compelled by the fact that tax rates are too high, by the logic of the economic situation, by the need for expansion and long-term growth to meet the needs of our people, by our fiscal circumstances with budgetary deficits resulting from inadequate economic performance, by our determination to control Federal expenditures, and by the discipline of our balance-of-payments deficit. I trust that you will be persuaded by this logic of events and circumstances that has moved the administration to these conclusions and that you will agree.

[From Business Week magazine,  
Nov. 2, 1963]

#### SPENDING CONTROL AND THE TAX CUT

Four months of fiscal 1964 have already gone by, and Congress still hasn't finished work on this year's budget. Meanwhile, the administration is deep in the toils of working out the fiscal 1965 budget, which the President must submit in January.

In order to increase congressional support for its program to cut taxes, the administration has committed itself to a course of intensive expenditure control. But a number of key Senators insist that they want to wait to see the actual numbers in the administration's fiscal 1965 budget, before they will consent to go along with the \$11.1 billion tax cut bill (to take effect over a 2-year period) that has already cleared the House.

To the administration's credit, it should be said that it is making a genuine effort to hold a tight lid on expenditure increases. The current, fiscal 1964 budget will probably wind up with expenditures totaling some \$97.7 billion, more than \$1 billion lower than was estimated last January. The fiscal 1965 budget—which Treasury Secretary Dillon had estimated only a couple of months ago would reach \$102 billion—now promises to be a couple of billion dollars lower.

This new emphasis on economy in the Government is thoroughly healthy. It is high time the administration got serious about checking the growth of Federal spending and recognized that big annual boosts in Government outlays may be inimical to the national interest rather than synonymous with it. The holddown in Government

spending is compelling the administration to make some choices, however painful that may be, on which programs are really essential to the Nation's security and welfare and which are expendable.

The holddown will force the administration to restudy and cut back programs that may have some vote-catching virtue but no other; it may force officials to run desirable programs more efficiently; and it will compel the administration to rethink certain programs that have run on inertia—as in the case of foreign military and economic programs—though international circumstances have changed profoundly since the programs were launched.

After 4 years of big annual boosts in Federal outlays—years that have seen budget expenditures climb by more than \$20 billion from \$76.5 billion in fiscal 1960—it is more than time to curb the growth of total outlays and carefully rework the composition of the Federal budget. This now seems a good prospect for the coming year.

There should be no mistake about one thing, however: The good intentions of the administration (and of Congress) on expenditure control cannot survive unless Congress passes the bill to reduce taxes. Secretary Dillon has been perfectly frank—and correct—in explaining why: If this country begins to slide down into a recession, the political pressures upon the Government to do something about high unemployment will compel Congress and the administration to increase expenditure programs. Inevitably some considerable part of these increases will become permanent fixtures in the budget. It is pointless to say this is a hypothetical argument; exactly that has happened time and again, under both Democratic and Republican administrations.

#### THE REAL CHOICE

It has been difficult for Secretary Dillon to make this point without seeming to forecast an imminent recession, which he has not done. His critics keep making what they think is a bright point. "Do you want this tax cut for growth or do you want it to stop a recession?" they ask. This is not so smart as it sounds. There is no either-or about wanting the tax cut both to stimulate more rapid economic growth, and as protection against frequent recessions. Any reading of our recent economy history will show that growth has been too slow (hence we have had chronic unemployment) and our progress has been broken by too frequent business dips.

The proposed tax cut is not a one-shot antirecession needle. On the contrary, it constitutes an important reform of our fiscal structure. The trouble with that structure—as economists as politically diverse as Walter W. Heller and Arthur F. Burns agree—is that it siphons off too much money to the Federal Government as business expands, tending to check and slow down the growth (of cause abortive recessions) before we achieve full employment.

The tax structure and the expenditure side of the budget must be weighed together. Changing the tax structure in its relation to that level of Federal spending that the Nation really needs will remove hobbles from growth and simultaneously lessen the likelihood of recessions. The tax bill should be passed before Congress adjourns, lest it get fouled up in election-year politics next session—and lest (this does remain a possibility) it come to late to forestall the next recession.

At the same time, Congress should get busy and complete its action on the expenditure side of the budget. It cannot solve the expenditure control problem by Fabian tactics of delay or by passing the buck back to the administration. If Congress will simply use its head—and make up its mind—the United States can have the budget and

fiscal program it needs for a sustained run of prosperity. This means both expenditure control and a tax cut.

### IMPORTANCE OF THE UNITED NATIONS

Mr. PROXMIER. Mr. President, I wish to refer briefly to an article on the United Nations which was published today in the Washington Post. The article was written by Roscoe Drummond.

Many Senators have received anti-United Nations letters. The sentiment in my State is far from unanimous in support of the United Nations.

In the article, Mr. Drummond has pointed out that the Soviet Union has been far from winning one victory after another in the United Nations. I quote briefly from this fine article:

Bear this fact in mind above all others: The United States has never been on the losing side of a single substantive U.N. resolution except when the Soviet Union and the United States were voting the same way. The Soviets have lost most of the time.

On the United States and world leadership—no successful American political leader suggests that the United States can retreat into isolationism and let the world go hang. They know we'd hang with it. Nor can the United States pull out of the U.N. and expect to pull down the U.N. with it. This would do nobody any good except the Communists.

Mr. President, I ask unanimous consent that the entire article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### OPPOSITION TO THE U.N.: SOME FACTS ARE OVERLOOKED

(By Roscoe Drummond)

MINNEAPOLIS.—There is a bright British musical revue playing in New York with the wistful title: "Stop the World, I Want to Get Off."

Quite an attractive idea, if it would work. During the past 10 days I have been talking to—and with—a number of different audiences in the Midwest and it is evident that quite a few Americans would like to stop the United Nations so that the United States could get off. Or, to put it another way, would like to see the United States get out of the United Nations in the hope that this action would bring the U.N. to a stop.

I am not suggesting that most Americans want to see the United States leave the United Nations or want the U.N. to leave the United States. But there are enough questions which suggest approval of the idea to make it useful to look at the premises on which the question is based. The premises appear to be these:

That the personnel of the U.N. is dominated by Communists.

That the Communist nations are able to use the U.N. for their purposes far more effectively than we can use it for our purposes.

That the United States could do better if we quit and left the U.N. to its own devices. What are the facts?

On personnel—The authority of the Secretary General in carrying out the voted decisions of the U.N. is decisive. No subordinate official can veto his actions. The only Communist official at a high level of the U.N. is the Under Secretary for Security Council Affairs, Mikhail Suslov. The Under Secretary for Political Affairs is Ralph Bunche, an American. Each of the big powers has a veto over any Security Council affairs.

The Communist nations actually have fewer nationals in U.N. civil service than their representation justifies because they do not offer qualified people to fill them. The Birchites, for example, circulate a memorandum showing the number of Communists working for UNESCO, but overlook the fact—if they know it—that the Communists have half the number to which they are numerically entitled—for fewer than the United States or Britain.

On U.N. policy—from the the U.N. defense of South Korea to the latest resolution on Angola and Portugal, the Soviet Union has continuously failed to mold U.N. policy to suit the Kremlin.

It opposed the election of Dag Hammarskjöld as Secretary General—and lost. Initially it opposed the election of U Thant. When it finally had to accept Mr. Thant, Premier Khrushchev sought to impose a Soviet veto on the independence of the Secretary General—and lost.

Many times the Soviet Union has sought to take over the leadership of the African nations at the U.N. in order to use them for Kremlin purposes—and has lost.

Bear this fact in mind above all others: The United States has never been on the losing side of a single substantive U.N. resolution except when the Soviet Union and the United States were voting the same way. The Soviets have lost most of the time.

On the United States and world leadership—no successful American political leader suggests that the United States can retreat into isolationism and let the world go hang. They know we'd hang with it. Nor can the United States pull out of the U.N. and expect to pull down the U.N. with it. This would do nobody any good except the Communists.

The United States would lose much of its influence nearly everywhere in the world, including the nations which have received their independence since the end of the war. We would simply be throwing many of them into the arms of the Kremlin.

### DANGER OF AID TO RUSSIA

Mr. PROXMIER. Mr. President, there was published this morning in the Washington Post an interesting article by the distinguished columnist Joseph Alsop. The article is entitled "The Big Non-Events." In the article, Mr. Alsop points out that it was anticipated, on the basis of many statements and developments, that this year in Russia there would be a curtailment of the use of resources for military purposes, combined with a release of resources for investment in the economy, particularly in agriculture; but he points out that these events have not occurred, and that, quite the contrary has occurred. He points out that the heating up of the situation in regard to Berlin is about the last thing Russia would do if she were about to curtail her armed forces budget.

Therefore, I believe the officials of our Government should think long and hard about the wisdom of selling American products at subsidy prices to the Soviet Union—whether they be wheat or dairy products.

I ask unanimous consent that the article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### THE BIG NON-EVENTS

(By Joseph Alsop)

What has not happened in Moscow is suddenly being discussed with mounting inter-

est in the small community of professional students of the Soviet Union.

The point is that last summer, for once in a way, the immediate direction of Soviet development seemed to be quite easily predictable. A great though still obscure political crisis in the Kremlin, undoubtedly marked by challenges to Nikita S. Khrushchev's authority, had ended in the spring with Khrushchev more firmly in the saddle than ever before.

Khrushchev had then used his authority to enforce acceptance of a nuclear test ban, on terms the Soviets had always before refused with loud indignation. His primary motive, beyond doubt, had been to create an atmosphere of relaxing tension, and thus to prepare the way for the revision of investment priorities—less resources for the armed forces and more for agriculture, for instance—which had been one of the subjects of dispute in the winter crisis.

Hence two kinds of development were being forecast last summer with much more confidence than usual. First, changes in the Soviet Defense Ministry, perhaps even including the dismissal of the Defense Minister, Marshal Rodion Malinovsky, were considered as all but inevitable.

Malinovsky was known to have been one of those who challenged Khrushchev in the winter crisis. In the Soviet Union, unsuccessful challenges of this type have their almost automatic penalty. And the need was obvious, too, for Khrushchev to bring the military hierarchy under more absolute control, in order to prepare for the second widely forecast development.

This was the radical revision of investment priorities, which the Soviet leaders so obviously need to make, in order to improve the declining Soviet rate of economic growth and "get Russia moving again." The main bottleneck being agriculture, the massive release of resources for investment in agriculture was the obvious first step. And no such release was possible, except at the expense of the armed forces.

During the summer Khrushchev himself virtually spoke of the revision of investment priorities as an accomplished fact. He positively boasted that he was withdrawing from the race to put men on the moon. More important, he talked quite openly of his intention to increase Russian artificial fertilizer output from the present level of about 16 million tons per annum to the staggering total of 35 million tons per annum.

By now, however, these crucially significant, universally expected developments were beginning to look like the big non-events of 1963. Some time ago, dates were actually being given in Moscow for a special plenum of the Central Committee of the Soviet Communist Party, to discuss the fertilizer program, and for a second plenum to discuss the general problems of Soviet agriculture.

Dates are no longer being given, however, and there are no signs to indicate that the first plenum will surely be held, as originally suggested, at the end of November. Concurrently, there are no signs of the kind of preliminary reductions in Soviet defense spending, which might be expected prior to a sharp shift in the investment pattern.

Indeed, the recent incidents on the approaches to Berlin point in another direction. You do not heat up the political climate again, as the Soviets have now done, if you are just about to cut your defense budget rather massively. Nor do you talk about the altered political climate in the bellicose terms Khrushchev recently used when he received an American business group in Moscow.

All this means, rather plainly, that the decisions which seemed to have been firmly taken last summer are instead still under discussion—and probably under quite bitter



discussion—in the Kremlin. It may be that the discussion will be abruptly terminated, and the Central Committee plenum will take place as originally scheduled before November ends.

Yet the mere fact that the debate is apparently continuing is significant in itself. It highlights the extreme painfulness of the choice the masters of the Soviet Union could no longer avoid. On the one hand, in order to achieve an adequate rate of economic growth and to solve their food problem, they must break decisively with the sacred tradition of absolute first priority for the armed forces.

On the other hand, if they put the sacred tradition ahead of their practical needs, they must prepare for a gradual return to conditions resembling those that prevailed in the time of Stalin.

#### SUPPORT OF DAIRY LEGISLATION

**Mr. PROXMIRE.** Mr. President, the Wisconsin Agriculturalist & Farmer—one of the finest agricultural publications in the country, and it has a national circulation, and is widely read by agricultural experts—enthusiastically supports the dairy bill which was passed by the Senator, and also supports the McCarthy amendment to that bill, which I hope will be adopted.

I ask unanimous consent that an editorial entitled "We Support These Dairy Bills," which was published in the Wisconsin Agriculturist of September 7, 1963, be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

##### WE SUPPORT THESE DAIRY BILLS

Two dairy bills in the Senate deserve careful study. The dairymen's excess base plan would apply to Federal market order areas. The bill was introduced by Senator WILLIAM PROXMIRE, Democrat, of Wisconsin.

The program would work like this. A majority of producers in a milk order area would have to approve the plan. If approved, each producer would get a base.

The base would be the producer's historical average percent of the class I (bottle milk) market. The last 3 years average is being talked about now. Newer milk order areas would have to be based on fewer years.

A producer could sell any amount of milk. He would be paid class I price for his class I base. There would be no more blend price.

The producer would get a lower price for milk in excess of his base. At present this would be at about support level.

##### WOULD DISCOURAGE EXCESS MILK

Purpose behind the program is to discourage excess production. At first producers who have been expanding rapidly might get a little less total for their milk than now. But as the plan discouraged excess production, it should soon mean bigger milk checks for all dairymen.

There's another big advantage to the program. It wouldn't add any additional tax load to taxpayers.

The plan deserves full support; we're for it. The second bill was introduced by Senator EUGENE MCCARTHY, Democrat, of Minnesota. The McCarthy bill would also set class I milk bases for each producer in Federal market orders. Then the Secretary of Agriculture would set a quota for each producer. The quota might be more than the class I base for producers in order areas. It couldn't be less.

Compliance would be voluntary. If a producer kept to his quota, he would receive 50 cents a hundred Government payment. If

he reduced production below his quota, a producer would get \$2.50 for each hundred pounds he reduced his sales.

MCCARTHY says that his dairy bill would cut the surplus in half, save \$37 million in taxes to support milk prices and raise farm income \$150 million.

No question that most dairymen would be better off taking the \$2.50 and reducing production.

The McCarthy bill uses much the same idea as the present feed grain program. It is a sound approach.

The two Senate programs are not opposed to each other. They could work hand in hand. The first would put milk pricing on a more realistic basis. It would give price discouragement for overproduction.

Paying dairymen to cut back production has a great deal of merit. It could help dairymen outside of the milk order areas as much as those in order areas. And it would give dairy producers a great incentive to get milk production in line with demand.

##### COMBINE DIRECT PAYMENTS, NEW PRICING

A dairy bill has been introduced in the House by Representative LESTER JOHNSON, Democrat, of Wisconsin. JOHNSON's bill would combine a direct payment plan—somewhat like MCCARTHY's program—with new Federal order pricing.

If approved by dairymen in an order area, producers would be given allotments based on market requirements and reserve needs. They would be paid a higher price for needed milk. They would get a lower price for surplus milk.

This part of JOHNSON's program would work similar to the Proxmire bill.

Congress should approve the dairymen's excess base plan for milk marketing order areas. And there should be a program that would pay dairymen to cut back production, both in and out of milk order areas.

#### AGRICULTURE YEARBOOK CITES SENATOR LAUSCHE'S BRILLIANT OHIO CONSERVATION RECORD

**Mr. PROXMIRE.** Mr. President, it is probable that many Senators have noted the excellent contribution of Mr. H. P. Quadland, well-known conservationist, to the Yearbook of Agriculture for 1963.

For the benefit of those who may not have seen this item, I call attention to the article, "Let the Country Sing With Beauty," beginning on page 552 in which Mr. Quadland points to the great progress made throughout our country in reforestation and city and countryside beautification through organized tree and shrub planting programs. He specifically cites examples of outstandingly successful programs in 15 different States.

I call particular attention to the author's reference to a highly successful statewide campaign as a part of Ohio's Sesquicentennial in 1953, headed by our colleague, the senior Senator from Ohio FRANK J. LAUSCHE, who then was Governor of that State. The program initiated by Senator LAUSCHE in 1953 was continued in 1954, 1955, and 1956 with great success. In each year, more than 20 million seedlings were planted.

Mr. President, I feel that this particular article is very pertinent and of wide public interest, in that it should lend more encouragement to the citizenry of our Nation in keeping America beautiful.

I ask unanimous consent that the article be printed in the body of the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

##### LET THE COUNTRY SING WITH BEAUTY (By H. P. Quadland)

Nature, if left alone, probably would make most land beautiful in time. Man largely is responsible for making land ugly. But man also can make land sing with beauty, if he wishes to help it flower—whether it is a tiny yard, a street, suburban plot, a farm on the plains, a cutover area in need of reforestation. Ugliness and growth need not be synonymous.

Economic and social benefits come from planting and beautifying the land. Sound conservation practices cannot end at the city or town line without helping to foster slums and endangering the future of the Nation.

I believe that love of our land is necessary for our survival. We will not love our land unless we care for it, and a growing population, which inevitably becomes further removed from the land, tends to turn aside from natural beauty toward the vulgarities of life.

In cities and suburbs, beautifully planted spaces are needed if urban renewal programs are not to run into the same trouble in the future that cities have run into in the past. One of the biggest threats to the permanency of completed urban renewal projects is the failure of communities to provide for planted and beautified space.

It is preferable if the plantings become part of the long-range improvement of cities rather than temporary expedients. Urban renewal presents a great opportunity for planted, open space that is a vital need in many cities.

I see no reason why we should ruin the land in order to build the houses in a subdivision. Often trees that have taken years to grow are destroyed by bulldozers in a day. Emphasis in housing by lending authorities has been on the house; the lot may be ignored.

Some housing developments have become slums in a decade because little thought is given to yards and streets. Other developments, well landscaped, remain livable indefinitely.

An example is the plant America program, sponsored by the American Association of Nurserymen. It offers a pattern for making our land more productive, beautiful, and livable.

The program was launched on January 5, 1950, in New York by representatives of national organizations.

An outline of the original plant America program, offered in 1950, is applicable today. I quote parts of it:

"The program is predicated on the premise that the land is our most precious heritage. It is believed that the objective of the program in its entirety can only be accomplished by replanting our forests, our farms, our cities, our roadsides, our church and school, or home and factory grounds wherever the need lies.

"For the first time in history our farm population generally is prosperous. But much still needs to be accomplished for a more fruitful and abundant farm home life. Landscaping and improved design of farm homesteads, farm home fruit gardens, landscaping and planting of grange halls, rural schools and rural communities in general are needed.

"Most of our cities and towns have blighted areas that can be made green and beautiful by planting trees, shrubs, and flowers. Much has been accomplished by civic authorities, civic planning groups, park executives, and garden clubs. But here, too, we are just awakening to the task ahead. A consciousness of the fact that the land is our most precious heritage is sorely needed by the general public \* \* \* for its own good. Open spaces, beautifully planted,

seriously are needed in all metropolitan areas for recreational as well as conservation purposes; in fact, just for us all to look at, in order to fill our souls with beauty.

"Safety, conservation, beauty as well as happier motoring and recreation enter into the proper development of our roadsides. Despite the great achievements of highway officials and others, general public awakening is needed to prepare for and provide the most efficient use of these roadside facilities for all.

"Beautiful church and school gardens are rare rather than commonplace. Churches and schools can be made more beautiful and inspiring cultural centers through cooperation of educational groups, community improvement groups, garden clubs, parent-teacher associations, etc., in landscaping. This work easily can be accomplished at small expense if public consciousness is awakened to the task.

"Changes are developing in home landscaping and planting. Plantings are more natural, for better living. Outdoor living rooms, indoor-outdoor living on the home property, home fruit and rose gardens, climate control by planting to increase both inside and outside home comfort, are coming to the fore to enable a more enjoyable family home life. There is practical therapy in green growing things—pleasure and health combined. Plant America requires individual as well as group and community cooperation. We need to develop all our land for living, not just the house alone.

"Landscaped and planted industrial sites are important from the viewpoints both of community and employee relations, as well as increased value of the land.

"Plant America—for more natural living will help to conserve the land and the well-being and health of people. By instilling in the public mind a consciousness of the fact that 'the land is our most precious heritage' and by action in planting in accordance with both need and the proper design not only will plant America give Americans greater satisfaction in living, but it will make them more proud of their homes, their factories, their communities, and their country."

What has been accomplished?

Governors in 39 States have issued proclamations calling for more planting in their States.

The first was issued by Chester Bowles, then Governor of Connecticut.

It stated: "Land in the past has been abundant. Man in those days was able to ravage the land and move on to virgin territory. This led to abuse. . . . Most of these blighted and barren areas can be made green and beautiful if all citizens fully realize their moral obligations to others in the ownership of private, civic, or State land. . . . Much of the future progress of our State and its rare natural beauty rests upon the extent to which we replant and care for all the land. Our State can produce more if we strive to make and keep it beautiful. Everyone will benefit in equal measure."

A highly successful State campaign was conducted in Ohio, as part of the State's sesquicentennial activity. Some 22 million forest seedlings and more than 3 million ornamental trees and shrubs were planted in a year by homeowners and organized groups.

The sesquicentennial's "greatest tribute to the past," Gov. FRANK J. LAUSCHE pointed out, "would be wise planning for the future." He added: "In this connection, tree planting for reforestation, beautification, and recreation, is of vital importance. The program encourages farmers to plant waste land; homeowners to plant ornamental and shade trees; municipalities to plant trees and shrubs; establishment of school forests, as well as other local programs featuring the plant Ohio project."

The program in Ohio was efficiently organized. All State departments and 65 pri-

vate organizations were represented on the plant Ohio committee, under the direction of an executive committee, which was headed by the Governor and comprised representatives of the Ohio Department of Natural Resources, the State chamber of commerce, Ohio Nurserymen's Association, forestry associations, garden clubs, the Agricultural Extension Service, and the federation of soil conservation districts. County and local committees were formed to work on publicity, school and community forests, beautification of factory sites, planting of trees and shrubs around homes, public plantings, industrial reforestation, rural reforestation, and sources of planting materials.

Many community plantings grew out of the effort in Ohio. A plant Columbus program was a forerunner for that city's establishment of a large municipal rose garden.

In a natural course of events, the plant America program expanded into plant (State, county, and city or town) programs.

The plant America program includes the dissemination of information that will help homeowners upgrade the values of their properties by landscaping and beautifying them. It includes standards for nursery stock and a guide for home landscaping. A movie was produced, "Basic Technique for Home Landscaping." Materials on the pleasures and values of garden living are made available for use in newspapers, magazines, radio, and television.

In relation to cities, schools, highways, and factories, the program attempts to do much the same within the limits of a small budget.

An industrial landscaping competition is conducted with awards for "achievement in industrial and institutional landscaping and beautification contributing to employee and civic pride in our American heritage."

Among the 200-odd winners of awards are the Reader's Digest, Pleasantville, N.Y.; General Motors Corp.; the Washington Water Power Co. in Spokane; the Board of Water Supply, Honolulu; church groups; the little St. Cyprian School in River Grove, Ill.; the Shelburne Museum in Shelburne, Vt.; and the Boscobel restoration, Garrison, N.Y.

Some striking benefits of industrial landscaping have come to light.

A cement company found that trees and shrubs helped to hold down dust and reduced absenteeism.

Some restaurants have reported that good landscaping increases patronage. Banks, department stores, and shopping centers use landscaping to attract and win the approval of customers.

The plant America movement took cognizance in 1950 of the need for roadside landscaping. Meetings were arranged with landscape authorities and engineers to find economical methods for functional landscaping. The outgrowth was an illustrated booklet, which outlined 10 purposes of highway landscaping:

To screen out, where necessary, blinding headlight glare of cars in opposing traffic lanes; stop fast-moving cars with little or no damage to their occupants at dangerous intersections; relieve monotony and lessen fatigue; delineate curves and serve as directional traffic guides; restore natural beauty; reduce traffic roar and serve as buffers to adjacent residential areas; screen off unsightly, distracting views; serve as natural snow fencing; control erosion on slopes; and make rest areas.

One development seems particularly interesting. In Tuscaloosa County, Ala., all home grounds bordering on a highway were landscaped to enhance the beauty of the route. The plan has possibilities in improving and beautifying secondary and rural roads after the manner of azalea trails, dogwood trails, and other trails, which attract tourists.

When the plant America program first was visualized, contact was made with the National Education Association. A great

deal of attention is devoted to instruction in planting.

The American Association of School Administrators advises sound recommendations for landscaping and planting school grounds. Annual Arbor Day tree plantings are performed on some school grounds. There is great need, however, for more widespread planting and landscaping of school grounds. It is incongruous that students are taught principles of land conservation and planting, while many of their school grounds and athletic fields are bare, eroded, and ugly.

The planned planting of school grounds affords a basis for practical instruction in the conservation of land and in plant life. Well-landscaped and planted schools encourage school pride among pupils and teachers. Beautiful school grounds encourage community pride and greater support for education. Landscaped and planted schools afford a more pleasing recreational environment and are a facility for recreation in themselves.

Landscaping and planting should be a requirement along with the construction of all new schools, as recommended by educational administrators. Where this has not been done, it should be accomplished by local cooperation, along with education by teachers of the reasons behind caring for the land by planting and conserving it.

The Chicago Community Trust gave \$10,000 to the Chicago Horticultural Society to encourage schoolchildren to take up gardening: "We think gardening will make a good long-range hobby that the children will benefit from all their lives. More immediately, we think it will curb vandalism. People who learn to grow things are less likely to destroy trees and flowers or other people's property."

The first community planting project under the plant America banner was carried out in Grandby, Conn., in August 1951, during Plant Connecticut Week. All public grounds in the town were landscaped and planted, including schools, churches, and the firehouse. Local groups cooperated to serve luncheon to the planters and the nurseryman who supplied the plants. Since this project was completed, the nurserymen each year have landscaped and planted grounds of a public building to commemorate a Plant Connecticut Week.

Another planting project, in Stow Village, Mass., was sponsored by community groups, a garden club, the extension service, and New England nurserymen. The grounds of three churches, two schools, the town hall, and the library were landscaped.

Some of the subsequent activities include the planting of dogwood trees given to Morgantown, W. Va., to start a planting project; a tourist arboretum in Tennessee; sample highway plantings in many States; the establishment of municipal rose gardens; and 71 planting projects in Iowa towns through the cooperation of garden clubs, 4-H, Future Farmers of America, Boy Scouts, and others.

Los Angeles planted 296 trees in a 10-block area in downtown streets in 1952. The Textile Association of Los Angeles has a goal to plant 300 trees in the garment area. Living flowers in containers also add color to the area.

New York City's Salute to the Seasons program, in which thousands of trees, shrubs, and bulbs have been donated by business firms, is another example.

The New York City Commerce Department issued a booklet that said: "Massed plantings along major thoroughfares . . . are intended to alleviate this hunger (for green growing things) by bringing greater beauty to our city . . . to make New York a pleasanter place in which to live and work . . . a more attractive place to visit."

Along Lincoln Boulevard in Miami and in Kalamazoo, Mich., where a central mall has been planted, and in other cities, the results of such plantings have been strik-



ingly beneficial. Where they have been made a part of the permanent planning of the city, they have been most successful. Where temporary, they sometimes have failed. Good maintenance is necessary.

A successful program was carried out in Spartanburg, S.C., a city of 45,000 population, in 1962. Banks, industrial firms, and retail firms cooperated with the Men's Garden Club, the sponsor of the project. In various projects there have been planted: 210,000 bulbs, 200,000 azaleas, 1,600 rose bushes, 50,000 pansies, and 6,000 petunias. Some of the plants are in a garden in which citizens can choose labeled varieties for their home grounds.

In North Carolina, Charlotte and Winston-Salem have planted roses and trees in expressway medians. Greensboro has appointed a city beautification coordinator.

A Plant America Award for landscaping was presented in 1962 to Mayor Melvin T. Matlock for the town of St. James, Mo. Many local trees had lost their vigor in an extended drought. The citizens, helped by the James Foundation, planted 4,000 sweetgum, flowering crabapple, and holly trees. These plantings gave this small town new beauty and new spirit. Townspeople talk about "the new St. James" and plan to develop a three-block-long strip in the center of town into a central plaza, to be planted with grass, shrubs, and trees.

Various community projects have been taken up at times, as recommended in the plant America program, such as establishment of community gardens; street tree plantings; landscaping and planting around public buildings, including airports; plantings around tourist accommodations, such as gasoline stations and motels and hotels; plantings of highway entrances to the community; developing local parks; cleanup and planting of the banks of local streams; establishment of community forests for recreation; and the planting of flowering plants, or trees, in order to make the city or town known for spectacular azalea, rose, dogwood, lilac, flowering crabapple, cherry, or similar plantings.

As every municipality grows, a long-range program for planting and beautification of land, including acquisition of new park lands, becomes necessary.

Planting America is an extremely rewarding goal for all—individual, community, State, and Nation. With needed and widespread cooperation, our country almost everywhere can be made to "sing with beauty."

Mr. LAUSCHE. Mr. President, I appreciate very much the statements made by the Senator from Wisconsin in calling attention to the article beginning on page 552 of the Agricultural Yearbook. It describes a program adopted in Ohio in 1953. The program was named "Plant a Tree in 1953, the Sesquicentennial Year of Ohio." It is a good program, and it would be well if it were followed in many other States, too.

In that year of the Ohio sesquicentennial celebration, there were planted in Ohio 22 million forest pine seedlings and 3 million ornamental trees. They were planted without expense to anyone, except the very low price charged for the seedlings which were delivered.

The program was followed in 1954, 1955, and 1956. In each year the planting of grasses, flowers, shrubs, trees, and legumes was encouraged through a centrally directed program, followed identically in each of the 88 counties of the State. In each of those years more than 20 million trees were planted. I make the statement, not critically, but re-

grettably, that the program was allowed to die in 1957. My hopes are rather poignant that the program will be re-established in Ohio, because if there is anything we need, it is covering the ground with vegetation and trees at a time when concrete seems to be the covering everywhere.

#### AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (H.R. 7885) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

Mr. MORSE. Mr. President, on behalf of myself, the Senator from Idaho [Mr. CHURCH], and the Senator from Louisiana [Mr. ELLENDER], I call up my amendment No 256 to the committee substitute.

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The LEGISLATIVE CLERK. On page 40, line 5 in the committee amendment, it is proposed, in lieu of "\$400,000,000" to insert "\$380,000,000".

Mr. MORSE. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. MORSE. Mr. President, the colloquy this afternoon will show that the amendment is the one which the Senator from Idaho [Mr. CHURCH] suggested that I consider in case my proposal to make a \$50 million cut in supporting assistance were defeated. The Senator advised me that he would like to join me in the amendment after the vote on the proposed \$50 million cut.

The amendment would cut the supporting assistance program \$20 million, to the House figure. It would be an important \$20 million saving. It would be an important saving from the standpoint of the merits of the amendment itself in regard to the foreign aid program. We ought to be willing to take \$20 million out of that bloated program, for it is a highly inflated program.

In my judgment, it is very much in the interest of the taxpayers of this country to take the House figure of \$380 million, but it is important also from the standpoint of the parliamentary situation in the Senate in regard to which conversations are still in progress. The road ahead to a final vote on the bill can be a very long one. We shall do our best to make a fairly substantial cut in the bill. But, as I have said before, the Senate should try to take another \$40 million out of the bill and then devote its attention to policy changes in the bill. That is the position of the senior Senator from Oregon, although he cannot speak for others, and would not purport to do so. But so far as my money amendments are concerned, I would not be offering them, but I would be free to vote for any that any other Senator would offer, if some were offered.

We must face the fact that there is not a chance, in my opinion, of obtaining a final appropriation of more than \$3 billion for foreign aid. The administration forces do not like to face that prospect, but I think they will discover it to

be a fact. Furthermore, if we go to the House with a conference situation between \$3.7 billion and \$3.5 billion, Senators know as well as I do where the compromise will come. But it is up to the Senate to work its will. It can have it any way it wants it. The Senator from Oregon, of course, will continue to exercise his parliamentary rights.

The amendment before the Senate is one which the Senator from Idaho [Mr. CHURCH] and the senior Senator from Oregon offer on its merits. We also accept the House figure, which is \$380 million.

Unless some other Senator wishes to speak, I intend to suggest the absence of a quorum to bring the Senator from Idaho to the Chamber, for he desires to speak on the amendment. He is on his way to the Senate Chamber at present.

Mr. LAUSCHE. Mr. President, will the Senator withhold his suggestion?

Mr. MORSE. I am glad to yield the floor.

Mr. LAUSCHE. I would not venture to speak, except that the Senator from Idaho is coming to the floor of the Senate.

Mr. MORSE. I yield the floor.

#### UNESCO AND NATIONALISM

Mr. LAUSCHE. Mr. President, I have a letter from a constituent pointing out the context of a resolution adopted by UNESCO. The constituent states that UNESCO Publication No. 356 makes the following statement:

As long as a child breathes the poisoned air of nationalism, education in world mindedness can only produce rather precarious results. It is frequently the family that infects the child with extreme nationalism. The school should use means to combat family attitudes that favor Jingoism. We shall presently recognize in nationalism the major obstacle to development of world mindedness and world peace.

That statement is contained in a document issued by UNESCO. I assume that UNESCO has forwarded to the United Nations that fantastic conclusion which it reached about the evil to the people of the world caused by persons being taught to be nationalists. I suppose that when the suggestion comes before the United Nations it will not be adopted. I am sure that if it ever came before the Foreign Relations Committee or the Senate, the proposal would be vigorously rejected. However, I feel that Senators and Representatives ought to be acquainted with what UNESCO advocates. It tells the people of the United States, "Do not teach your children to be patriotic or nationalistic. Teach them to be internationally minded, because with national mindedness there will never be world peace."

I wish to offer only one word of advice to these modern, sophisticated, socialistically minded advisers. I do not care how many resolutions are adopted by UNESCO nor what the United Nations does, or what the Congress does. The nationalistic and patriotic attitude in the hearts of Americans and their feelings toward their country will not be extinguished.

I have asked the Foreign Relations Committee to check into the actual situation as it prevails in UNESCO, to find

out what nations voted for the resolution, and whether our country subscribed to this policy. Later, I shall speak again on this subject.

#### AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (H.R. 7885) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

Mr. CHURCH. Mr. President, I am pleased to join in cosponsorship of the pending amendment, which would cut \$20 million from the military support feature of the foreign aid bill. The effect of the amendment would be to reduce the committee figure to that already approved by the House.

As the Senator from Oregon knows, I was unable to support his earlier amendment because I felt that this feature of the bill should not be cut below the level already approved by the other body. However, I feel military supporting assistance is the best place to effect a further cut from the Senate committee figure, because it is in connection with military support that we are extending aid to those countries which get the lion's share of American aid—countries which, in my judgment, are getting a disproportionately large slice of the American aid melon. I believe the \$20 million cut can easily be made, without impairing the aid going to any of these countries. I also believe that if the Senate should approve this amendment, it would be taking a step toward resolving some of the difficulties, some of the barriers still to be surmounted if we are to bring the bill to a final vote.

Adoption of the amendment would expedite the resolution of further difficulties and help Senators to reach an early vote on a measure which has now been debated for nearly 2½ weeks.

For these reasons, I hope Senators will see fit to join in support of the amendment.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. CHURCH. I yield.

Mr. PROXMIRE. I should like to ask the distinguished Senator from Idaho, as cosponsor of the amendment, if the proposed reduction in supporting assistance would bring the level of supporting assistance in the bill more closely in proportion to the military assistance reduction than otherwise? As I understand, the committee recommendation for military assistance has been reduced from \$1.3 billion to \$1 billion.

Mr. CHURCH. The Senator is correct.

Mr. PROXMIRE. The amendment, I take it, would reduce the supporting assistance amount closer to that same ratio. I assume that the administration and the committee computed some kind of relationship. As I understand supporting assistance, it is to provide economic assistance to countries suffering under a heavy burden of armaments, to keep them from being crushed under the burden. If we reduce military assistance, it makes sense to reduce it in proportion to the military support. Is that not correct?

Mr. CHURCH. That is correct. This feature of the bill lies outside the so-called "powerhouse" amendment, which involved a cut of \$300 million in military assistance. This amendment would effect a somewhat proportionate cut in military support, which would be consistent with the action already taken with respect to military assistance. This is still another reason why adoption of the amendment would result in a better balanced program, overall.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oregon [Mr. MORSE], for himself, the Senator from Idaho [Mr. CHURCH], and the Senator from Louisiana [Mr. ELLENDER], to the committee amendment in the nature of a substitute, as amended. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from North Carolina [Mr. JORDAN], the Senator from Louisiana [Mr. LONG], the Senator from Mississippi [Mr. STENNIS], and the Senator from Tennessee [Mr. WALTERS] are absent on official business.

I also announce that the Senator from California [Mr. ENGLE] is absent because of illness.

I further announce that, if present and voting, the Senator from North Carolina [Mr. JORDAN], the Senator from Louisiana [Mr. LONG], the Senator from Mississippi [Mr. STENNIS], the Senator from Tennessee [Mr. WALTERS], and the Senator from California [Mr. ENGLE] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Nebraska [Mr. CURTIS] is absent on official business.

The Senator from Kentucky [Mr. COOPER] and the Senator from North Dakota [Mr. YOUNG] are detained on official business.

On this vote, the Senator from Nebraska [Mr. CURTIS] is paired with the Senator from Kentucky [Mr. COOPER]. If present and voting, the Senator from Nebraska would vote "yea," and the Senator from Kentucky would vote "nay."

The result was announced—yeas 51, nays 41, as follows:

#### [No. 231 Leg.]

##### YEAS—51

Allott	Goldwater	Nelson
Bartlett	Gruening	Pearson
Beall	Hill	Pell
Bennett	Holland	Prouty
Bible	Hruska	Proxmire
Burdick	Jackson	Randolph
Byrd, Va.	Johnston	Ribicoff
Cannon	Jordan, Idaho	Robertson
Carlson	Long, Mo.	Russell
Church	Magnuson	Simpson
Cotton	McClellan	Symington
Dodd	McGovern	Talmadge
Dominick	McIntyre	Thurmond
Eastland	Mechem	Tower
Edmondson	Miller	Williams, Del.
Ellender	Morse	Yarborough
Ervin	Mundt	Young, Ohio

##### NAYS—41

Aiken	Fong	Keating
Anderson	Fulbright	Kennedy
Bayh	Gore	Kuchel
Boggs	Hart	Lausche
Brewster	Hartke	Mansfield
Byrd, W. Va.	Hayden	McCarthy
Case	Hickenlooper	McGee
Clark	Humphrey	McNamara
Dirksen	Inouye	Metcalf
Douglas	Javits	Monroney

Morton  
Moss  
Muskie  
Neuberger

Pastore  
Saltonstall  
Scott  
Smathers

Smith  
Sparkman  
Williams, N.J.

#### NOT VOTING—8

Cooper  
Curtis  
Engle

Jordan, N.C.  
Long, La.  
Stennis

Walters  
Young, N. Dak.

So the amendment offered by Mr. MORSE, for himself and other Senators, to the committee amendment in the nature of a substitute, as amended, was agreed to.

Mr. MORSE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. CHURCH. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HICKENLOOPER obtained the floor.

Mr. ELLENDER. Mr. President, will the Senator yield so that I may modify my amendment?

Mr. HICKENLOOPER. Mr. President, I ask unanimous consent that I may yield to the Senator from Louisiana for the purpose of having his amendment laid before the Senate, without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ELLENDER. Mr. President, I call up my amendment No. 244. I ask to modify the amendment in line 6, page 1, by changing the figure "1963" to "1964."

The PRESIDING OFFICER. The Senator has a right to modify his amendment.

Mr. ELLENDER. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. The amendment of the Senator from Louisiana, as modified, to the committee substitute, as amended, will first be stated.

The LEGISLATIVE CLERK. It is proposed, on page 41, in the committee substitute between lines 8 and 9, to insert the following:

(d) SEC. 512. RESTRICTIONS ON MILITARY AID TO AFRICA.—(a) Notwithstanding the provisions of section 614(a) of this Act, the value of grant programs of defense articles for African Republics, pursuant to any authority contained in this part other than section 507, in any fiscal year beginning with fiscal year 1964, shall not exceed \$25,000,000.

(b) Internal security requirements shall not, unless the President determines otherwise and promptly reports such determination to the Senate Committee on Foreign Relations and to the Speaker of the House of Representatives, be the basis for military assistance programs for African Republics.

Mr. ELLENDER. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. HICKENLOOPER. Mr. President, I should like to offer a few comments on recent developments in Argentina, and I select this country for two reasons. First, I think it is generally agreed that Argentina has probably the best potential for development into a stable and self-sufficient free country in its part of the world.

Mr. MORSE. Mr. President, the Senator is delivering a very important speech. I would like to have the Senate hear it.



The PRESIDING OFFICER. The Senate will be in order.

Mr. HICKENLOOPER. I may say parenthetically that the general principles which I shall attempt to develop in my remarks apply to any other countries in Latin America which are engaging in or planning to engage in expropriation of American property, and to any countries in any other part of the world which are engaging in or planning to engage in the expropriation of American property.

Argentina has many advantages not generally shared by most other South American countries, among which are a highly literate population which is predominantly European in stock, the absence of vast land reform problems, plus the possession of natural resources which are considerable.

My second reason for selecting Argentina is that what is happening there has a direct relationship to some of the difficulties our foreign aid efforts are facing in other areas.

On the basis of such measurements as per capita gross national product, number of telephones and radios, miles of railroads and highways and the like, Argentina is already one of the most highly civilized and advanced countries in South America. Its major challenge is to achieve stability of government and to put into practice sound economic policies which can eliminate the effects of years of mismanagement, inflation, a wasting of assets, decline of agriculture, and deficits both in its budget and its balance of payments.

The plight of the Government-run railroads provides a good example of the kind of economic chaos which has been allowed to develop. The volume of freight carried has fallen from 60 million tons in 1942 to less than 30 million tons; yet in the same period, the number of railroad workers has climbed from 90,000 to over 225,000. The result is an annual deficit of some \$300 million which the Government is forced to cover.

Such examples can be found in nearly every sector of the economy. In fact, over recent years there has been only one bright spot of any consequence in the whole picture, and this is in the petroleum industry. For years, imports of oil had been steadily rising, in spite of the fact that there is oil within the country. By 1958, Argentina's total annual oil production amounted to only 36 million barrels, and the nation was forced to import some 65 million barrels to meet its needs. Oil was in fact the largest import item, and cost roughly the Argentines \$220 million a year in foreign exchange.

Looking back over the painful history preceeding them, the Government at that time decided that a different approach might be worth a try. For almost half a century, the control of oil operations had been in Government hands. Foreign capital and experience had been largely excluded. But faced with such a phenomenal deficit in the balance of payments from a single source, the Argentine Government decided to try a new approach.

It invited outside capital and assistance to supplement the state's own efforts, and the results have been dramatic. In the long decades preceeding this

event, petroleum production had been built up gradually to 36 million barrels a year, against imports which had climbed to 65 million barrels, as I have noted.

In the 4 years following the time the Argentine Government opened the doors to assistance from private enterprise, the production of oil nearly tripled, while the amount the country has to import has been reduced by roughly 70 percent. In 1962, production had reached nearly 100 million barrels, while imports had shrunk to less than 20 million.

I believe when we get the accurate figure at the end of 1963, it will be even more startling. In terms of foreign exchange, Argentina's expenditures for buying petroleum or oil products were cut from \$220 million a year to \$75 million, and the goal of self-sufficiency was in sight. There was even talk of an exportable surplus.

Behind this tremendous accomplishment lie some interesting facts. In general terms, what it took to make the job possible was a combination of capital, technology, and efficiency—in all of which the Argentine Government had been lacking. These key elements were supplied by American oil companies, in competition against each other, who came in, negotiated contracts running up to 40 years, and proceeded to supply the money, personnel, equipment, and techniques which turned the tide.

To date, these companies have invested an estimated \$300 million in Argentina since 1958. Their experiences have varied. Several companies have spent close to \$50 million in largely unsuccessful exploration efforts. Another company, which has developed production, brought in some \$60 million in capital and reinvested another \$40 million from the sale of the oil in further exploration and development activities. In general terms, these companies have continued to invest money in Argentina, without any significant return thus far.

This kind of confidence in the country's future has also bred confidence. In addition to the direct investment in exploration and development, there has been the predictable economic fallout in other areas, bringing additional outside investment in transport, refining facilities, and petrochemicals—which together have been estimated at close to another \$100 million, added to the economy.

If we add to this the further stimulation to the economy in terms of royalties to the provinces for oil and gas produced within their territories, plus the very basic fact that the oil industry has provided a growing number of jobs for nationals over a period in which nearly every other segment of the Argentine economy has been stagnant, we recognize that here is a very substantial contribution to the development of the country.

This has been done with private enterprise, private investment, and private venture.

I should note that it has also been a real contribution to the pocketbook of the American taxpayer, since here is something approaching a half-million

dollar shot in the arm to a country we want to help, but which did not have to come out of U.S. foreign aid, the International Monetary Fund, the World Bank, or any other of the many organizations to which we so largely contribute.

One could be pardoned for assuming that the Argentine Government would also recognize the magnitude of this contribution to the welfare of its people. Unfortunately, this does not appear to be the case. There is now a new government in office in Argentina, and one of its major articles of political faith seems to be a determination to abrogate the contracts or to nullify them to use their own language, negotiated by the previous government with the U.S. oil companies.

While it is perhaps not too difficult to appreciate the political charm of slogging about "throwing out Yankee imperialists" during a Latin-American election campaign, it is very hard indeed to discern any semblance of rationality in such an action in this instance. In practical terms, this would amount to a frontal attack on the only really sound and hopeful economic development that has occurred in that country in the last decade.

The reasons expressed by the new government for this extraordinary proposal have been rather nebulous thus far, consisting mainly of charges that the contracts are illegal and uneconomic. The only argument which the government has advanced regarding their legality, to my knowledge, is that the contracts were not submitted to the Argentine Congress for ratification.

While I am no expert on Argentine constitutional procedure, I cannot help but be impressed by the logic of some of the comments which the oil companies have made in this regard. As they point out, the agreements merely put them in the position of hired contractors. They have engaged to spend a good deal of money, time, and effort in trying to find oil—but any oil found becomes automatically the property of the government. The companies do not have title to it. They cannot export it. All they can do with it is deliver it to the government at a previously agreed upon price. Both legally, and in effect, they are simply contractors hired by the state oil agency to help do a job which that agency had neither the capital nor the ability to do itself.

If the state oil agency has to get the approval of congress to hire a contractor, then presumably the state-run railroad would have to get congressional approval to sign a contract to repair freight cars. The oil companies assert that there is no such precedent in Argentine law, or anywhere else for that matter, so far as anyone knows, and I find this quite believable. Any country which operated along these lines would have to keep its congress in session 24 hours a day.

Aside from this is the interesting fact that everyone accepted the contracts as legal and binding, and both parties attempted to live up to their terms for about 5 years, until a new government came in. I say "attempted to live up

to their terms." The U.S. companies actually overfulfilled their contractual obligations. They drilled more wells and found more oil than even the Government had hoped at the time the agreements were made. While the country is still not self-sufficient in oil, it has gotten a good deal closer than anticipated in such a short period.

The Argentine Government's performance is not quite so good, not so much because it did not try but because of the general fiscal chaos which has existed within the Government. The state oil agency, to which the U.S. producing companies are obliged to deliver the oil, has not been able to pay for the oil. It is currently behind in its payments to the tune of tens of millions of dollars.

One American oil company alone is owed more than \$28 million for oil it has produced with its own capital and know-how, and has delivered it to the Argentine Government agency. It is holding the sack for that amount of oil, to say nothing of any recoupment on its investment. Other oil companies are owed comparable amounts, in keeping with the extent of their operations and contracts.

As for the Government's other charge—that the contracts are uneconomic—it is unlikely that the oil companies would disagree with this assertion. They have clearly been uneconomic for the companies thus far, since the companies have continued to invest, and reinvest, and are left at the moment with not much to show for their effort except overdue bills.

Just why the contracts are uneconomic to the Argentine Government is difficult to see. As I have noted, they have saved the Government millions of dollars in desperately needed foreign exchange. As to the price the Government pays the companies for the oil—and this is quite apart from any considerations of sanctity of contract—it appears to be considerably less than the cost of oil of comparable quality imported from Venezuela, the Middle East, or anywhere else in the free world. The former Secretary of Energy and Fuels recently testified that the oil supplied by the contracting companies costs between 20 and 50 percent less than similar types of imported crude.

That is the testimony of Argentine officials themselves. The witness pointed out that this represents oil which the Government was in no financial or technical position to find oil and develop it itself.

Not only have the U.S. companies been supplying oil at lower rates than it could be imported; under their contracts they are also charging less for a barrel than the Government oil agency can produce it through its own efforts, on the basis of cost estimates submitted to the Congress by that agency. And on the basis of the Government's own per-barrel valuation, the value of the oil already delivered by one company exceeded the price charged by some \$20 million. To put it another way, the Argentine Government has received oil for a price \$20 million less than it would have cost to produce it itself, according to its own figures. Yet the Argentine Federal company has not even paid for all the oil.

When we add to these considerations the fact that, at the end of the contracts, the Government will receive free of charge all permanent facilities installed by the companies—including pipelines and other expensive installations—it is perplexing, to say the least, to find that Government calling the contracts uneconomic.

It is also appropriate to wonder what lies ahead. In order to find and produce the quantity of petroleum required to meet Argentina's growing needs over the next 9 years, it is estimated that an investment of some \$1.7 billion will be required. This is an average of nearly \$200 million a year, and it would be interesting to know where a deficit-ridden government and a bankrupt state oil agency would propose to get capital funds on this order, particularly if they pursue their presently announced course.

Abrogation of the oil contracts would, to a very considerable extent, succeed in drying up outside capital funds from all quarters and for all purposes. If a contract made with one government is likely to last no longer than the inauguration of the next government—particularly in South America—then the whole concept of long-term investment can no longer apply either, a conclusion which will be speedily drawn by potential investors everywhere.

From reports coming out of Argentina, it appears that some of the politicians there profess to see a solution by simply having the state oil agency take over all oil operations. That such a course would be naive in the extreme is rather obvious. The record indicates that the U.S. companies have done more to increase oil production in 4 years than the state had accomplished in half a century, and it took a large amount of capital in addition to know-how.

Moreover, Argentina simply does not have the financial capabilities to pay the costs of taking over the U.S. operations. Beyond this, it does not have the funds to commit to needed further oil development.

About the only foreseeable consequences of this cavalier course would be to render any contract with the Argentine Government next to worthless in international circles, while hastening the Argentine oil industry down the road its railroads have already gone.

One other alternative has been hinted at—that Argentina might make up its oil deficiency by importing Russian oil. It is no secret that the Communists would be delighted to see this happen. With the tragic example of Cuba before them, I doubt that a majority of Argentine citizens would care to follow that course, since they value freedom highly.

As I said at the start of these remarks, what is happening in this particular situation typifies some of the dilemmas facing our foreign aid program in a number of areas. It is my understanding that our viewpoint is that we wish to do whatever we can to assist freely elected governments throughout the world, where we can assist, with the necessarily rather imprecise goal in mind of advancing the cause of human freedom, in which we believe.

I have no quarrel with this objective; I support it. But at times it is hard to see how to go about it. Take the case in point. Here is a country which is emerging from the shadow of years of dictatorial rule which left a legacy of bankruptcy and economic decline. The Argentine people apparently want stability and economic growth, under an elected government. Since these are goals which we support, we have been trying to assist in this undertaking, with funds exacted from the American taxpayer and through freely made private investment.

But developments such as those in regard to the oil contracts are enough to give anyone pause. So far as foreign aid is concerned, we must recognize that we are dealing with a sovereign government, and that it is neither proper nor desirable on our part to presume to tell that government how to conduct its affairs.

When such a government proposes to follow a course, however, which is clearly designed to compound its financial difficulties—and damaging bona fide private American interests in the bargain—we had better ask ourselves how long we can continue to underwrite such experiments. We have no mandate from the American taxpayers to continue to pour their income down bottomless pits, and they appear to exist all over.

It is one thing to love thy neighbor as thyself, as the Bible enjoins us; but this is becoming a pretty large neighborhood. American aid just about blankets the globe. If every sovereign government on earth wishes to dig its own economic grave, it has a sovereign right to do so, I presume; but the American Government also has a sovereign right to refuse to pay the cost of excavation. Indeed, we could not do so even if we wanted to; there is simply not that much money in America, or anywhere else in the world, for that matter.

I think it might be helpful if this fact could be slightly better appreciated by some of the many countries which look to us for support. It might as well be understood that while the United States is willing to continue to contribute to the cause of freedom throughout the world, it does not plan to bankrupt itself in the process, and thus sacrifice its own freedom, leaving the field to the enemies of freedom.

To make this understood, I think we had better start today. One way to do this is to make it plainly understood that the U.S. Government is not prepared to give money, goods, or services to countries which will not even honor their obligations to U.S. citizens and corporations. Unilateral abrogation of such obligations by other countries should be understood to be synonymous with unilateral cessation of aid from this country.

Mr. MORSE. Mr. President, will the Senator from Iowa yield?

The PRESIDING OFFICER (Mr. MCINTYRE in the chair). Does the Senator from Iowa yield to the Senator from Oregon?

Mr. HICKENLOOPER. I have a number of newspaper articles, communications, and so forth, which I wish to discuss and to have printed in the Record, but I can do that a little later. They



are in further reference to the amendments we adopted last year and to those we adopted this year in regard to these items.

I am happy to yield to the Senator from Oregon.

Mr. MORSE. Mr. President, I wish to ask about these amendments. The Senator from Iowa and I have held conversations, not only in regard to what is happening in Argentina, but also in regard to what is happening in other Latin American countries. The Senator from Iowa knows that I am very much concerned about the application of the Hickenlooper amendment to these situations. In fact, some of us considered trying to broaden the Hickenlooper amendment; but after my discussion with the Senator from Iowa, I am inclined to agree with his view that probably no other amendment is needed, if there is clear agreement as to what the Hickenlooper amendment already encompasses.

So far as the situation in Argentina is concerned, our proper course is very clearly indicated by the facts in that case. If the Argentine Government nullifies those oil contracts and refuses to follow the procedures of international law which the Hickenlooper amendment encompasses, and if the Argentine Government expects to share in any way in the economic assistance provided by the United States, our State Department must notify the President of the Argentine that the Hickenlooper amendment will be applied, and that there will be no "maybe" about it.

So my first question is—in dealing somewhat with a hypothetical case, but also relating to the situation in the Argentine—if the President of Argentina proceeds to nullify these oil contracts, is it the opinion of the Senator from Iowa that the Hickenlooper amendment will apply and the U.S. Government will be obligated to carry out its provisions, which, if a satisfactory adjustment of these claims is not made by the Argentine Government, will result in the cessation of our economic aid to Argentina?

Mr. HICKENLOOPER. In my opinion, the answer to that question is "Yes." I believe the amendment of last year—the provision now in the law—could be extended, by proper interpretation, to cover such a situation of nullification of contracts, as compared with expropriation or seizure of physical property. But certainly under the amendments we have adopted and under the additional amendment which now is before us, which specifically refers to nullification and to action which has the effect of destroying the property rights of individuals, I think there is no question that it applies and that it would have to be applied not only to nullification of these oil contracts, which have been in effect since 1958, but also to the fruits of them, of which Argentina has taken advantage. The latter point raises a further question, for this is not a question of nullification of contracts after they were entered into, but before performance was had under them—although under some legal concepts, damages might be due in that situation. On the contrary, in this case performance has been had, and the oil has been delivered under

the provisions of the contracts, and up to this time the contracts have been consummated in full good faith. Therefore, at this time nullification would amount to a direct seizure of property rights, and the amendment will apply.

Mr. MORSE. The Senator from Iowa and I have talked with other members of the committee and other members of the subcommittee—because both of us are members of the Subcommittee on Latin American Affairs; these members are very much concerned about whether the nullification amendment applies to this year's bill. I said to them that I think it does. However, this is a good time to clarify that situation and to leave no doubt about that matter.

Will the Senator from Iowa take time to refer to the Hickenlooper amendment of last year and also to the proposed changes in it, as contained in this year's bill. In my opinion this supports his contention, in which I join, that the Hickenlooper amendment, as it will be in existence after the enactment of this bill, will cover the Argentine oil contract nullification case.

Mr. HICKENLOOPER. I shall be very happy to do so; and I think it should be made part of this record.

I call the attention of the Senator from Oregon and the attention of other Senators to the report of the Foreign Relations Committee on House bill 7885, dated October 22, 1963, at page 67, and to the item on that page beginning with "(e)". I ask unanimous consent that this portion of the report be printed in the RECORD.

There being no objection, the excerpt from the report (No. 588) was ordered to be printed in the RECORD, as follows:

(e) The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any [governmental] government agency or subdivision within such country on or after January 1, 1962—

(1) has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

(2) has taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

[(2)] (3) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned,

and such country, government agency or government subdivision falls within a reasonable time (not more than six months after such action or after the date of enactment of this subsection, whichever is later) action or, in the event of a referral to the Foreign Claims Settlement Commission of the United States within such period as provided herein, not more than twenty days after the report of the Commission is received) to take appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including [equitable and] speedy compensation for such property in convertible foreign exchange, equivalent to

the full value thereof, as required by international law, or fails to take steps designed to provide relief from such taxes, exactions, or conditions, as the case may be [1]; and such suspension shall continue until [the] the President is satisfied that appropriate steps are being taken, and no other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection.

Upon request of the President (within seventy days after such action referred to in paragraphs (1), (2), or (3) of this subsection) the Foreign Claims Settlement Commission of the United States (established pursuant to Reorganization Plan No. 1 of 1954, 68 Stat. 1279) is hereby authorized to evaluate expropriated property, determining the full value of any property nationalized, expropriated, or seized, or subjected to discriminatory or other actions as aforesaid, for purposes of this subsection and to render an advisory report to the President within ninety days after such request. Unless authorized by the President, the Commission shall not publish its advisory report except to the citizen or entity owning such property. There is hereby authorized to be appropriated such amount, to remain available until expended, as may be necessary from time to time to enable the Commission to carry out expeditiously its functions under this subsection.

Mr. HICKENLOOPER. Mr. President, the amendment of last year provides as follows:

(e) The President shall suspend assistance to the government of any country to which assistance is provided under this Act when the government of such country or any agency or subdivision within such country on or after January 1, 1962—

(1) has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

(2) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned,

Then it provides the methods of determination, arbitration, and so forth.

I have read the language down to that point, as contained in the present law. Now I read the additions which were made in the committee this year, in strengthening that language.

The present law reads as follows:

(e) The President shall suspend assistance to the government of any country to which assistance is provided under this—

And this year we added—  
or any other.

The words "or any other" were added this year. So the language would then read:

(e) The President shall suspend assistance to the government of any country to which assistance is provided under this or any other act when the government of such country or any—

And we substituted for the word "governmental" the word "government"—government agency or subdivision within such country on or after January 1, 1962—

Paragraph (1), which I read a while ago, would remain the same.

Then we added (2), a paragraph which reads as follows:

(2) has taken steps to repudiate or nullify existing contracts or agreements with any

United States citizen or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or—

Then we pass to the new (3), which was the old (2), which would read—

(3) has imposed or enforced discriminatory taxes or other exactions or restrictive maintenance or operational conditions—

And then we would insert the words—  
or has taken other actions—

Continuing to read the section—  
which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned.

One of the reasons for inserting the words "or has taken other actions" is that that language would give a direction to the President to use broad discretion in determining the rights and interests of American property abroad. We name it as specifically as it is reasonably possible to do so. The language "or has taken any other action" would have that effect. The President would have the responsibility and the discretion to determine when American property is being seized.

The present law provides, in effect, that those provisions would go in effect if "such country, government agency or government subdivision fails within a reasonable time—not more than 6 months after—such action or after the date of enactment of this subsection, whichever is later."

The law passed last year provided "to take appropriate steps," and so on. This year we have inserted the language that where the country, Government agency or Government subdivision has failed to take, "within a reasonable time—not more than 6 months after such action or"—I am now reading the insertion—"action or, in the event of a referral to the Foreign Claims Settlement Commission of the United States within such period as provided herein, not more than 20 days after the report of the Commission is received."

We added that language because there is a new addition calling for a referral to the Foreign Claims Settlement Commission, for the reason that that Commission has machinery and legal history to set up for evaluation foreign held properties as a result of their experience in settling foreign claims, at least especially following World War II.

All of what I am talking about will be in the RECORD.

Another provision provides for the President to request the Foreign Settlement Claims Commission to evaluate such property. He would then make a determination as to whether or not the valuation set on the property abroad would be a reasonable valuation or not. If it is considered to be unreasonable or unfair, he must withhold aid. If it were a fair evaluation, it would be up to the owners either to take it or leave it. If they should prefer not to take it, and the determination should be that the valuation was a fair valuation, then, of course, they would be left to their own devices within the countries to fight it out in any way they might desire.

Mr. MORSE. Mr. President, I thank the Senator from Iowa for joining me in making the legislative history. The language from the old act, with the previous Hickenlooper amendment, plus the new language in the bill that has come to the floor of the Senate from the committee, leaves no room for doubt that it covers nullification of contracts in which property values, as well as outright expropriation of property, are involved. The American business concerns that have expressed such great concern to the Senator from Iowa and to the Senator from Oregon ought to appreciate the fact that the Senator from Iowa sought to draft language that would protect them in connection with almost any possible contingency that could develop if a foreign government should seek, by one means or another, to expropriate the value of the property or nullify contractual relations that would have a bearing upon the value of the property.

As the Senator knows, the Kennecott Copper Co. has extensive copper mining holdings in Chile. So does Anaconda Copper Co. I have met with officers of the Kennecott Co., as has the Senator from Iowa. I have told them that I know nothing about the merits of their case, just as I know nothing about the merits of the case of the American oil companies in the Argentine. It is not for me to pass judgment on the merits of the case, however. It is a Senator's duty, as I see it, to make certain that procedures are established under which these companies would have an opportunity to establish the merits of their case and under which they would be protected from unfair discriminatory practices against them on the part of any foreign government because they are American concerns.

As the Senator knows, it is alleged by the Kennecott Copper Co.—and they have made more than a prima facie case in support of their allegation—that the Chilean Government is following a discriminatory tax policy that is aimed at the Kennecott Co. It may discriminate against other companies. But there is no doubt about the fact that it discriminates against the Kennecott Co. if the allegations are accurate, and they appear to be.

The result is that the Kennecott Co. cannot operate its mining properties, and not being able to operate its mining properties, it is suffering great loss even in trying to maintain the companies. It looks upon this move on the part of the Chilean Government as an effort to finally force Kennecott either to dispose of its property in Chile for an unfairly low price or to abandon it and give up even trying to maintain it, which would thereby make it possible for the Chilean Government to enter into what would amount to a form of expropriation of the property.

Mr. HICKENLOOPER. It is situations of that kind which the words "or any other means" in this year's bill are intended to cover, by way of giving the President discretion to determine that those so-called "any other means" are in effect a denial of property rights, or

the destruction of the rights of American owners in foreign countries, and would therefore call for the operation of this amendment. There is a responsibility on the administrator to use his discretion.

Mr. MORSE. Plus the language, now, in the new subsection (3), which was the old subsection:

(2), has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned.

Mr. HICKENLOOPER. That is correct. There was a provision against discriminatory taxes in the amendment which we put in the bill last year, but we wish to add the words, "or has taken other actions." It is a fine distinction, when one comes to argue with some of the "legalistic" people in foreign countries.

Suppose the Government owns a part of the mining industry, and private operators own some other portion of the mining industry. The Government could very well conduct its own mining without regard to taxes, but could levy taxes upon the one or two other privately owned businesses in an amount great enough to drive them out of business.

The Senator referred to the company in Chile. The company has had imposed upon it, according to my information, a tax of 87 percent of net profits, leaving only 13 percent. I do not have the details, but the government refused to allow what are recognized in this country as the ordinary expenses of doing business. They toss items into "net profits" which are not net profits at all, but are current operating expenses. The company is going backward all the time. The government is proposing new requirements for expansion—new buildings; new this, that, and the other thing—which are beyond the capacity of the company, if it is to keep its nose above water. It cannot operate in that kind of situation.

Those are discriminatory taxes. Those are excessive requirements, which are, in effect, a confiscation of the property of Americans.

Mr. MORSE. They seek to impose requirements for expansion on the company and force it to operate at a loss, apparently in the hope that forcing it to operate at a loss will also force it to sell its properties for a song, and get out of Chile. There are other copper companies that could very well find themselves in the same position, if they do not watch out.

Mr. HICKENLOOPER. The Senator is correct. The threatened oil property expropriation in Peru, is in many ways patterned after the Argentine proposal.

Mr. MORSE. That is correct.

Mr. HICKENLOOPER. In northwestern Peru along the desert area and the ocean, many millions of dollars were spent by American and other oil companies in an attempt to develop oil fields. The program did not develop too successfully. There is a geologic promise of oil in the Iquitos area, the area back



of the mountains. It has cost millions of dollars to fly in equipment and American engineers and technicians to cover the jungle. People have been living in the jungle for years. Private companies have put up their money, exploring on behalf of the Government of Peru under contracts and agreements.

I now understand that there is good promise of oil fields being discovered after years of effort and the expenditure of millions of dollars. But now that oil fields have probably been discovered the proposal is made that Peru expropriate them, to take advantage of all the expenditures made. Such a seizure would be a repudiation of contracts and obligations.

Mr. MORSE. We must beware of such situations all over Latin America, if we let these precedents be set.

I have one final question. Will the Senator turn to section (e) on page 67 of the committee report, which reads:

The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after January 1, 1962—

Does the things listed thereafter. Does the Senator agree with me that the language "under this or any other Act" would prohibit the President of the United States from using his contingency fund to be of assistance to one of these countries, if it were determined the country had violated the terms and conditions of the so-called Hickenlooper amendment?

Mr. HICKENLOOPER. I believe it would. I believe it is broad enough to do that. It is the intent to cut off aid, bounty, gifts and assistance to countries which not only are using such for their own ulterior purposes but also are defrauding, in effect, American investors whom they have invited to come to those countries. There is one exception. We agreed to an amendment yesterday exempting the Peace Corps.

Mr. MORSE. And the cultural exchanges, also.

Mr. HICKENLOOPER. Yes; the cultural exchanges, as well. I voted for that exemption for various reasons. I believe that humanitarian operations probably have a little different complexion. It is my understanding and my intention—and I believe that of other Senators who voted for the amendment—that if the abuses are great enough, it is within the discretion of the President even to halt those operations.

Mr. MORSE. We made it very clear yesterday, in the legislative history, that the amendment did not put the Peace Corps in the position where it could not be taken out.

Mr. HICKENLOOPER. That is correct.

Mr. MORSE. Or that the cultural exchanges could not be stopped. That will fall within the discretion of the President.

Mr. HICKENLOOPER. We made that very clear.

Mr. MORSE. I should like to make another point clear, I completely agree with the statement of the Senator from

Iowa about the situation in Chile or in Argentina. If it should be found after analysis of the merits of the positions of the companies involved, that those governments are following a course of action—Chile in regard to the Kennecott Copper Co., and Argentina in regard to the nullifying of contracts of these oil companies—in flagrant violation of the Hickenlooper amendment, the President would be prevented also from using the contingency fund to get around the Hickenlooper amendment.

Mr. HICKENLOOPER. I believe the Senator has correctly stated the case. I should like to invite attention to another contingency. There are problems of patent rights which were acquired and exist under law in those countries. Patent rights are not physical, tangible rights.

They are intangible rights, but rights, nevertheless. Many countries are threatening to seize American patent rights, to abrogate them and to destroy them, even though they were granted legally under the laws of the country, or under treaties or agreements, and have a limited time to run, as is the case in our own country.

Those rights are undoubtedly rights, just as tangible property rights are.

Mr. MORSE. Lastly, I spoke recently on the Chilean situation. Tomorrow I shall put in the Record, in support of legislative history being made tonight, further data dealing with the Chilean tax discriminatory policy in connection with American companies in Chile.

I say most respectfully to my President, "You had better prod your State Department to action, because Chile is proceeding with a course of action that cannot be reconciled with granting her any aid, until she changes her discriminatory policy against American business."

The paradox is that Chile, along with the Argentine and many other Latin American countries, has been pleading and begging to get foreign investors to come in. Foreign investors have been offered inducements to come into those countries. That fact places those countries under an obligation to follow a non-discriminatory policy in respect to those investors—the same policy that is followed with respect to domestic investors.

There is an election campaign in progress in Chile, and candidates are vying with one another to see who can make the strongest anti-American statements; but we cannot let Chilean politics do irreparable damage to American investors, who, in my judgment, must be recognized as having some international law rights.

The State Department ought to be told to "get on the ball" so far as the Chilean and Argentinean situations are concerned, and make perfectly clear to those governments that if the merits of the cases substantiate the allegation that they are in violation of the Hickenlooper amendment, aid will be stopped.

It is our money. If they are going to take it, they ought to take it subject to reasonable terms and conditions that we are seeking to lay down in the foreign aid bill.

I thank the Senator for joining me in making the legislative history. The legislative history being made tonight will not be the last time we shall hear about the subject. We are making legislative history tonight that will arise again and again, and will cause some questions to be asked of the State Department—for example, "What have you done with respect to the Argentine and Chile, or any other country that follows a policy or takes steps that discriminate against American investments in those countries, when they are not protected? What have you done to put the Hickenlooper amendment into full force and effect?"

Mr. HICKENLOOPER. I thank the Senator for his contribution. To button this matter up, I shall put in the Record evidence of expropriation and seizure policies. I want to appear in the Record in connection with this discussion one thing about which the Senator well knows, because we have discussed it. The Foreign Assistance Act already contains a provision as to the announced and adopted policy of the United States, in section 601, part III, chapter 1, under the head of "General Provisions." For ready reference, this language is contained in the report of the Committee on Foreign Relations on the pending bill, which I referred to earlier in my remarks. I read from page 60 of the report:

Accordingly, it is declared to be the policy of the United States to encourage the efforts of other countries to increase the flow of international trade, to foster private initiative and competition, to encourage the development and use of cooperatives, credit unions—

After referring to several other activities, the paragraph continues—

and to encourage the contribution of U.S. enterprise toward economic strength of less-developed friendly countries, through private trade and investment abroad, private participation in programs carried out under this act.

And so forth. We have announced that it is our policy to encourage these very people to go into those countries with American private capital, private enterprise, private ingenuity and money, whether it be in agriculture, mining, or electrical development, or other development. We have encouraged that with one hand, and with the other hand we have failed to stand up and protect the claims of those investors, and the equity of their rightful claims.

Mr. MORSE. The Senator from Iowa is correct.

Mr. HICKENLOOPER. That is all we are trying to reach. I think the sentiment of Congress is pretty well developed in that respect.

I call the attention of the Senator to an announcement which is very interesting. It is stated in a bulletin dated November 12, published by the Alliance for Progress: "U.S. Firm Studies Argentine Investment." It calls attention to the fact that Alcan Pacific Co. of Sacramento, Calif., an Alaskan corporation—and the Senator from Alaska should take note of this—with diversified experience in construction contracting is going to

conduct a survey in the Argentine, and proposes to make an initial investment of about \$1 million on some kind of development project. As the bulletin states, the company expects to obtain about one-half of this amount, equal to \$900,000, in pesos and dollars from public and private lending sources. The Alliance for Progress is putting out further encouragement and announcements.

The constituents of the Senator from Alaska had better be very careful before they put any of their own money into that area by way of private investment, unless we make clear to those countries that American property will be equitably protected, one way or another, once it goes into that country with the authority and approval of the government that invited it.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. HICKENLOOPER. I yield.

Mr. MILLER. First, I commend my able colleague for his very thorough and timely speech. I should like to ask a couple of questions with a view to adding something to the legislative history which was just discussed by the Senator from Iowa and the Senator from Oregon.

On page 67 of the report of the Committee on Foreign Relations, to which the Senator from Iowa just referred, I invite attention to the fact that subsection (e) reads:

The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after January 1, 1962—

Does certain things. Subsection (2) under subsection (e) has been added by the committee this year.

Is it the intention that any actions taken, as described in subsection (2), from January 1, 1962, on shall have the results that have been described with respect to the other items that were listed in the act last year?

Mr. HICKENLOOPER. That is the exact intention of the amendments. They refer back to January 1, 1962. It is the intention to have the amendments which we are adding to the present law become retroactive to January 1, 1962. I think that is pretty well understood by the State Department.

Mr. MILLER. So if an oil company had a contract repudiated after January 1, 1962, but prior to the date of the enactment of this act this year, it could seek relief under this act?

Mr. HICKENLOOPER. That is correct.

Mr. MILLER. I have another question—

Mr. HICKENLOOPER. Before the Senator goes to his next question, I point out that in the discussions in the committee and with Members of the Senate in connection with these amendments—I am sure I speak without fear of contradiction by committee members in connection with the intent of this legislation—it was believed that, if there should be any technical legal failure of any kind in connection with these

amendments, there is still enough discretionary power in the Chief Executive to accomplish the objectives; and we expect the administration to do so, even though there may be some legal question under which someone may attempt to crawl in an attempt to avoid the conditions of this provision.

There is broad discretion in the act. We are merely trying to button it up doubly and triply.

Mr. MILLER. The Senator would like to have the administration take action about the way in which he would expect them to take action with respect to their own personal property or money in a similar situation. Is that correct?

Mr. HICKENLOOPER. I hope they do not handle their personal property in the way in which they handle Government property. Therefore, I do not know whether the comparison is quite apt. However, the Senator's observations are well taken.

Mr. MILLER. I should like to ask one or two more questions.

Mr. HICKENLOOPER. I yield.

Mr. MILLER. On page 67 of the report it is stated that if the foreign government, the recipient of our foreign aid, does any of these acts, and if "such country, government agency, or government subdivision fails within a reasonable time to take appropriate steps to discharge its obligations under international law toward such citizen or entity," and so forth.

I suppose that refers to the confiscation of property, and means that an appropriate payment should be made; and we provide further that it be made in convertible foreign exchange.

My question is with respect to the situation described in subsection 2 regarding the nullification of existing contracts?

We do not have the taking of property as such, but we do have damages. Is it the intention behind this provision that under international law damages which may arise from actions taken to repudiate or nullify existing contracts shall also be paid in convertible foreign exchange?

Mr. HICKENLOOPER. Yes.

Mr. MILLER. Equivalent to the full value of the damages?

Mr. HICKENLOOPER. Yes; there is a body of international precedent and law and agreement that has been built up. I am not quite sure what international law is. I know what it is said to be. I am not quite sure what it is, however. It is a hodgepodge of itinerant agreements, treaties, international agreements, and this, that, and the other thing. We could probably go back to the days of Genghis Khan, and pick up old parchments to seek out what international law is. However, there is a generally recognized procedure and form and system of evaluation, to the effect that we must give value for property seized. That principle is pretty well recognized.

Mr. MILLER. In other words, we want that procedure to apply with respect to damages which arise under a nullification of a contract.

Mr. HICKENLOOPER. Yes.

Mr. MILLER. I invite my colleague's attention to the wording of the act, about 10 lines from the bottom on page 67 of the report, where it is provided:

To take appropriate steps, which may include arbitration, to discharge its obligation under international law toward such citizen or entity, including speedy compensation for such property in convertible foreign exchange.

We do not include speedy compensation for such property or damages.

Mr. HICKENLOOPER. No; I believe it was the intent of the committee that under our concept and the concept of most jurisdictions which have a system approaching ours, and even under international law, damages apply when a contract is subject to cancellation or nullification. I believe damages are included.

Mr. MILLER. When the Senator refers to speedy compensation for such damages, he means for such property in a broad sense, including not only personal property, but also property rights under contracts. Is that correct?

Mr. HICKENLOOPER. Yes. Damages under any view include property rights. That may have to be determined by hearing.

Mr. MILLER. The reason why I am asking these questions is that I am afraid that our experience has been that some interpreters of what we do in Congress like to play games with words; and we wish to make it clear that we are covering all reasonable contingencies, so that there will not be any confusion or any excuse that they did not understand what we intended, after they read the report.

My last question relates to the next item, in which reference is made to a failure to take steps designed to provide relief from such taxes. There are two ways to interpret that language. One would be that relief from such taxes would mean not imposing them in the future. That is a form of relief. At least we would not get hit a second time. I suggest—and I would like confirmation from my colleague—that the intention is not quite that easy, but that we intend, as I interpret it, that if discriminatory taxes have been imposed, the relief would relate to the imposed taxes, as well as any future taxes of like kind.

Mr. HICKENLOOPER. It most certainly is the intent, if discriminatory or confiscatory taxes have been imposed, that they be reexamined and readjusted on the basis of equity and fairness, and that, of course, under the law would be the responsibility of the Administrator to determine, or in such other forum as may be properly set up to determine that question.

Mr. MILLER. I thank my colleague. Mr. MONRONEY. Mr. President will the Senator yield?

Mr. HICKENLOOPER. I yield.

Mr. MONRONEY. I compliment the distinguished Senator from Iowa for his very illuminating and thorough study and presentation of this issue. It strikes me if our aid is to mean anything it will have to be used to make a country self-sufficient. The Senator gave us a graphic illustration when he said that a foreign exchange drain that



cost Argentina \$220 million a few years ago has been cut to \$75 million by the great assistance that has come from American oil companies.

It is my impression that these contracts were arranged at the convenience of the Argentine Government, knowing their fetish for preserving for themselves their mineral rights, and that in order to accommodate the Government of Argentina, the oil companies said, "We will contract with you. We will find the oil, if we can find it, and then we will deliver it to you at a price that will be far below the market price." That price was far below the price of the state-owned oil company.

Mr. HICKENLOOPER. Yes; the Senator is absolutely correct. However, it really goes beyond that. The state-owned oil company had been attempting for years to develop oilfields. They had developed a little oil here and there, but they did not have the money, and they did not have the techniques or the know-how or the competence to do it. They invited the American oil companies to come in and look over the field. They then entered into a contract which was in all probability one of the most advantageous oil contracts ever entered into. I happened to be down there after the contract had been in effect for 2 years. I talked with Argentine officials and with private individuals. Everyone was delighted with it. They were getting oil cheaper than they could produce it themselves.

Mr. MONRONEY. And they were saving foreign exchange.

Mr. HICKENLOOPER. Yes; they were saving foreign exchange. I have tried not to be extravagant in my statement in connection with what I have said. I have tried to underplay, rather than overplay it, but there is much competent authority which declares confidently that if the Argentine Government had met its commitments and had paid for the oil as it was received, probably at the end of this year it would have been self-sufficient in oil.

Mr. MONRONEY. Reinvestment of the payment for the American-produced oil to find new sources—

Mr. HICKENLOOPER. And new development.

Mr. MONRONEY. That is correct.

Mr. HICKENLOOPER. The Argentine oil fields—the Senator from Oklahoma represents, in part, an oil-producing State, so I will not attempt to tell him how an oil field is operated—are in a peculiar situation, so I am told. The oil fields and wells require constant attention and highly skilled know-how. It is not like putting a hole down in the ground and from then on not paying much attention. Oil wells require constant attention. Oilmen could probably describe the situation in more detail; I cannot. But that was one of the troubles. The Argentine Government did not know how to handle the wells. The wells are now producing oil, but the Government is not paying for it. They allowed American capital and know-how to be invested to the extent of \$200 or \$300 million, and are now proposing to confiscate and talk about settlement later.

Mr. MONRONEY. Is that not worse than expropriation? Labor, know-how, techniques, and machinery have been moved into Argentina, at the invitation and request of that country, is now taken without any alternatives being offered in the way of compensation. Argentina land, previously worthless, might now be worth millions of dollars, yet these oil companies would receive no compensation?

Mr. HICKENLOOPER. The land itself probably is not owned by the oil companies. I think the operations are on an employment or contractual basis, as I tried to point out; and under the agreements, at the end of the leasehold or contractual period, the property would eventually revert to the Argentine Government.

Mr. MONRONEY. The producing well would be left intact for the benefit of the country that had invited the oil company to come in. The oil company would be paid for its labor. The arrangement would be a labor contract.

Mr. HICKENLOOPER. That is correct.

Mr. MONRONEY. It would extend for several years, to compensate the company not only for its risk investment, but also for its labor and machinery.

Mr. HICKENLOOPER. It is a production contract.

Mr. MONRONEY. The companies took the greatest risk, it seems to me. The Senator is absolutely correct. The amendment seems sufficient to cover this situation, but does it apply to the Alliance for Progress loans as well as to other aid which is purely and exclusively American?

Mr. HICKENLOOPER. It does. It applies to any act under which we operate.

Mr. MONRONEY. Even though the act authorizes the placement of investments within a consortium such as the Alliance for Progress?

Mr. HICKENLOOPER. That is the intent.

Mr. MONRONEY. I think this is important. Even if a court should perhaps say that it is not, the Senator knows, and it is cited in the earlier reports concerning the act that it is our desire to assist countries by making them self-sufficient, but the act imposes upon the Chief Executive of the United States the obligation to take action of his own accord when there is a violation of the spirit of foreign aid, which we have so hopefully extended to so many nations of the world.

Mr. HICKENLOOPER. The Senator is correct. The President has power to do that in his discretion.

Mr. MONRONEY. There is no question about it.

Mr. HICKENLOOPER. Two interesting things have begun to develop.

When people begin to scheme how they can take the property of someone else, they develop some interesting theories.

The Argentine Government is now attempting to say—this was a political maneuver in their political campaign—that the contracts which were entered into in 1956 and 1957 were illegal; that

therefore, the companies have no rights in them, and that the Government can nullify the contracts. The word "nullification" is used.

However, at the same time, the Government exercised the sole right of taxation on their property and said that it would retroactively tax the property under contract. That was illegal. Of course, if the contract was illegal, the taxes are illegal. There is no provision for taxes. But it depends on whose ox is being gored, as they cast their eyes upon the interpretation of the contract.

Mr. MONRONEY. Can the Senator from Iowa assure the Senator from Oklahoma and other Members of the Senate that even if the language in the amendment does not specifically include the Alliance for Progress, it is the intention of the Senate, in referring to any other law, that those laws authorizing our investment in the Alliance for Progress would be affected, and that the amendment would not only empower, but would in fact be a direction to the Chief Executive that under this set of circumstances the refusal to honor a just debt would bring into force the full effect of the Senator's amendment, even though it involved direct American aid?

Mr. HICKENLOOPER. The Senator is correct. The amendment refers to the AID programs; and the Alliance for Progress is a part of the aid program complex of the United States. It refers to the Alliance for Progress just as much as it does to any other aid program which is in operation anywhere in the world.

Mr. MONRONEY. I thank the Senator from Iowa and compliment him on his fine presentation.

Mr. HICKENLOOPER. I thank the Senator from Oklahoma for helping to develop the basis and effect of the amendment.

Mr. CARLSON. Mr. President, will the Senator from Iowa yield?

Mr. HICKENLOOPER. The Senator from Kansas is a member of the Committee on Foreign Relations. He can testify in his own right as to the intent, because he, too, labored on the amendment.

Mr. CARLSON. The Senator from Oklahoma raises an interesting point as to whether the Alliance for Progress might not be a part of our foreign aid program and therefore not be covered by the amendment on which the distinguished Senator from Iowa has worked not only at this session but in previous sessions.

The truth is that title VI of the act is the Alliance for Progress. There was never any question in committee that the Alliance for Progress was covered in the Senator's amendment.

Mr. HICKENLOOPER. There can be no question that the Alliance for Progress is an integral part of the entire international aid or assistance program.

Mr. CARLSON. If there had been any question, it would have been well taken care of because, as the Senator from Iowa has stated—and I want the RECORD to be clear—there was no division of opinion in the committee, among any of

its members, as to what we thought was the meaning of the language; and what we wrote into the language is what is known as the Hickenlooper amendment. We wanted it to be all inclusive. We wanted it to be administered on that basis.

I pay my compliments to the distinguished Senator from Iowa for his continuing efforts in behalf of protecting American investors who, we hope, will go into other foreign countries and help to develop them on a private industry basis. The Alliance for Progress is one of our finest programs, and this is the type of amendment we need to protect private industry, and we hope it will.

Mr. HICKENLOOPER. I thank the Senator from Kansas. It is not my intention to protect any one individual from any other individual. What concerns me, and I am sure what concerns the Committee on Foreign Relations and the entire Senate, is that American investors who are invited to go into other countries and are encouraged to develop land by contributing their own capital, know-how, and risk, and will do other things which will add to the basic expansion of those countries that are less developed, will receive fair, equitable, honorable treatment, by any kind of moral and legal standards which we all recognize as just. We want equitable treatment for them.

The amendment is not an attempt to guarantee profits to any company. It is not an attempt to obtain for any American company any undue concessions. It is merely an attempt to guarantee that their investments, their property, their efforts, their techniques and know-how, will not be permitted to be used in a country under the guise of a fair contract or a fair proposition, and once they have developed something that is worthwhile, have the government of that country, under the claim of a taking for government purposes, take the creation of those people without adequate and full compensation.

Mr. LAUSCHE. Mr. President, will the Senator from Iowa yield?

Mr. HICKENLOOPER. I yield.

Mr. LAUSCHE. As the Senator from Iowa knows, I also am a member of the Foreign Relations Committee; and it is my conviction that in the drafting of this section, with the amendments which have been offered to it at this session, it was the intention of the Foreign Relations Committee to provide protection to American investment: first, against expropriation; second, against unlawful violation of contracts; and third, against indirect expropriation through the imposition of taxes or other exactions and excises by foreign governments. I think a reading of subsection (e) will disclose that to be the fact.

I know that the Senator from Iowa, in attempting to make this provision all-embrasive, insisted upon including, as new language in the bill, the following, which has pertinence to what the Senator from Oklahoma has said: "or any other act."

That addition and the others will make this part of the act read as follows:

(e) The President shall suspend assistance to the government of any country to which

assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after January 1, 1962—

(1) has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

(2) has taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

(3) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned.

I concur in the statement of the Senator from Iowa that if by chance this language is not found adequate to reach the Alliance for Progress, the committee intended that it should be reached and that the President should not extend aid either directly to countries or indirectly to countries through the Alliance for Progress.

Mr. HICKENLOOPER. Yes.

There has been some rumor—although I do not allege this to be a fact, because I do not know—that certain Government officials in handling the program have been thinking about a device under which our aid funds would be put into an international pot, and when that international pot distributes the money, it will not be affected by expropriation within a certain country, and in that way an attempt might be made to avoid the impact of this amendment.

I say I do not know that is the case, and I do not allege that it is; but I have heard rumors that that is one device which has been discussed as a means of getting around this so-called Hickenlooper amendment and still getting the money to some of these countries, through an international intermediary or pot or account.

I merely wish to say to all and sundry in the Senate and in the State Department and elsewhere that of course that would be a most inexcusable subterfuge and avoidance of the clear intent, not only of this legislation, but also of the will of the Senate itself, in my judgment. I do not say that anyone in the State Department is attempting to do that; but those rumors have been going around.

Mr. LAUSCHE. I hope that is not true.

Mr. HICKENLOOPER. So do I.

Mr. LAUSCHE. I believe the provisions we have written into the bill contemplate aiding the countries to which we are sending help and contemplate insuring the doing of justice to the American investors whom we are encouraging to make investments abroad.

I should like to have a discussion with the Senator from Iowa about another point. He has pointed out the bankrupt condition of the Argentine economy because of the governmental ownership of the railroads and the oil mineral mines since 1958.

Mr. HICKENLOOPER. And also the telephones.

Mr. LAUSCHE. Yes, also the telephones and other public services. In the statement the Senator from Iowa made a few minutes ago to the Senate, he said:

The plight of the Government-run railroads provides a good example of the kind of economic chaos which has been allowed to develop. The volume of freight carried has fallen from 60 million tons in 1942 to less than 30 million tons; yet in the same period, the number of railroad workers has climbed from 90,000 to over 225,000. The result is an annual deficit of some \$300 million which the Government is forced to cover.

Mr. HICKENLOOPER. That is the inevitable result that has so frequently come from government takeovers and government operation of what should be private enterprise and private business.

Mr. LAUSCHE. Am I correct in understanding that in 1942, 90,000 workers handled 60 million tons of freight, but after the Government there took over the railroads, the number of railroad workers increased to 225,000, but they handled only 30 million tons of freight?

Mr. HICKENLOOPER. That is correct, according to information which I have received and which I believe correct. That is a fantastic situation, but it is stated to be the case.

Mr. LAUSCHE. It is said by certain labor leaders that unless certain things are done in the United States, our Government should take over the U.S. railroads. I wonder what would happen if that were to be done in the United States. In my judgment we would follow the same course—led by the devil—that has been followed in countries that have tried to socialize the public utility services.

Mr. HICKENLOOPER. In almost every instance—and I know this occurred not only in Argentina, but also in a great many other countries—when the governments took over those businesses, political pressures on the legislative bodies and the other political bodies in those countries forced an increase in the number of jobs in those industries. It was said, "Put this man to work" or "Put this political henchman to work"; and thus the employment rolls became filled with political henchmen, until the result was as in the case of the Argentine railroads, on which the volume of freight has decreased from 60 million tons in 1942 to less than 30 million tons, although in the same period the number of railroad workers there increased from 90,000 to more than 225,000 who now handle only a little more than one-third of the amount of freight formerly handled by the much smaller number of employees. A similar development has occurred in very many places in the world; and it seems that, inevitably, when the government takes over, the political pressure to create a job for "good old Joe who worked for us down in the third precinct" has its effect, and employment is thus increased greatly, but inefficiency also develops.

Six or seven years ago, when I was visiting in one of the countries of Latin America, I talked with the president of that country, which 4 or 5 years theretofore had taken over the railroads and



the telephone system. He said he was trying then not only to have some kind of compensation paid to those companies, but also to get the railroad companies and the telephone company to take back their utilities and operate them again, because the government could not operate them satisfactorily, and was swamped by the burden of making the attempt to operate them, because of the inability of the government to operate them efficiently. So that is the situation which develops again and again.

Mr. LAUSCHE. Mr. President, in that connection I should like to point out that the International Monetary Fund and World Bank has, as a prerequisite to the granting of financial aid to Argentina, insisted that the overstuffed labor force of the railroads there be reduced by at least 60,000. I refer to that as corroboration of the position taken by the Senator from Iowa in regard to what has happened in Argentina, through its panacea of governmentally operated railroads.

Mr. HICKENLOOPER. Yes, indeed.

Mr. LAUSCHE. Mr. President, will the Senator from Iowa yield further to me?

The PRESIDING OFFICER (Mr. BREWSTER in the chair). Does the Senator from Iowa yield further to the Senator from Ohio?

Mr. HICKENLOOPER. I yield.

Mr. LAUSCHE. Mr. President, will the Senator yield? I should like to get to the subject of mining of oil by the Argentina Government.

Mr. HICKENLOOPER. I yield.

Mr. LAUSCHE. I understood the Senator from Iowa to say that by 1958, although Argentina was supplied with an abundance of oil in the ground, the nation was importing oil and was not able to supply its own needs.

Mr. HICKENLOOPER. I must take some exception to the Senator's statement that Argentina found itself supplied with an abundance of oil. The trouble was that Argentina thought there was oil there, but they had been unable to develop it in sufficient quantities anywhere nearly to meet their needs. They could not bring out the oil. They thought the oil was there. That is why they brought in American companies and asked them to enter into contracts to try to develop the oil that they hoped was there. Some was being developed, but not very much.

Mr. LAUSCHE. The oil mining companies were governmentally operated?

Mr. HICKENLOOPER. They had been for many years.

Mr. LAUSCHE. According to the statement of the Senator from Iowa, by 1958 Argentina's total annual oil production amounted to only 36 million barrels of oil, and the nation was forced to import approximately 65 million barrels to meet its needs?

Mr. HICKENLOOPER. The Senator is correct.

Mr. LAUSCHE. Oil was, in fact, the largest import item and cost roughly \$22 million a year in foreign exchange?

Mr. HICKENLOOPER. The Senator is correct.

Mr. LAUSCHE. After the government called in the American companies and

gave up its own proclivity toward governmental operation, what was the experience in producing oil in Argentina?

Mr. HICKENLOOPER. The experience was that the American companies went into Argentina under contracts with the Argentina Government and began to develop the oilfields and explore for new deposits. The Senator will note that there was only about a 4- or 5-year period in which not alone American know-how, techniques, and machinery were used, but also American capital went in there. It was private money and not government money. By 1962 production had risen to about 100 million barrels.

From approximately 36 million barrels the production had risen to 100 million barrels. Imports went down from 65 million barrels to 20 million barrels. Meanwhile the population of Argentina had gone up. The number of automobiles in Argentina had risen. The use of oil had gone up. So they needed a great deal more oil in 1962 than they did in 1958.

One or two automobile factories were started in Argentina. The need for oil was expanded. The production of the American companies with American capital and know-how had reduced the import necessity and increased the production.

This year they owe one company about \$28 million for oil that had been produced and handed over to them. They have not paid for it all, and they owe some other companies millions of dollars. It is freely predicted that had Argentina gone ahead in an unrestricted operation under the contracts, by the end of 1963 Argentina would have been practically self-supporting in oil. In another 2 or 3 years Argentina could have been a net exporting nation of a substantial amount of oil.

Mr. LAUSCHE. Mr. President, it is my understanding that the record shows that in Argentina the state-owned petroleum industry was opened to private enterprise in 1958. American and European companies are now operating throughout the country. Although approximately \$280 million of foreign exchange is saved yearly, and Argentina is virtually self-sufficient in oil, the national oil monopoly has dissipated its earnings and requires budget support from the central government. Is that in substance the understanding of the Senator from Iowa?

Mr. HICKENLOOPER. It is my understanding that that is the evidence which we have.

Mr. LAUSCHE. I should like to get down to what the Senator from Iowa is urging. Argentina asked foreign capital to come in and operate the industry privately.

Mr. HICKENLOOPER. Contracts were made with the companies involved.

Mr. LAUSCHE. They went in in 1958. Now Argentina is threatening to breach the contracts—

Mr. HICKENLOOPER. To nullify them.

Mr. LAUSCHE. The amendment which the Senator from Iowa has offered contemplates an avoidance of that purpose and effort?

Mr. HICKENLOOPER. Not exactly. We recognize the sovereignty of a sovereign nation to do almost anything it desires to do within its own boundaries. We reserve the right of sovereignty here.

What we would say is that if the Government seizes American property which is lawfully there under an agreement without full compensation for the damages and the loss caused and for the property they have seized, we reserve the right to determine what we will do with our aid money. We would withdraw our aid money. We would not attempt to superimpose our ideas of sovereignty upon Argentina or upon any other country, but we would reserve the right to say what we will do with the money of the taxpayers of our country. We would withdraw aid from them and give them no more aid, if they proposed to play that kind of game.

Mr. LAUSCHE. Mr. President, will the Senator yield further?

Mr. HICKENLOOPER. I yield.

Mr. LAUSCHE. I should like to conclude my participation in the present discussion. Several months ago I read in an article that one could travel 60 kilometers in Argentina for the amount of pesos which would be equal to 2 3/4 cents of American money. I could not believe the statement. I had an investigation made. The report was that in Argentina, for the equivalent of 2 3/4 cents, one could travel 60 kilometers on the governmentally operated transportation system.

Mr. HICKENLOOPER. Thirty-six miles.

Mr. LAUSCHE. That is the charge. The amount was not adequate to liquidate the costs. For that reason, the Argentine Government is in the distressing position in which it now finds itself. That is why practically all the socialistically operated countries are likewise attempting to meet such conditions as I have described.

Mr. HICKENLOOPER. The example stated by the Senator from Ohio could be applied to quite a number of countries. I have in mind one particular small Latin American country in which the government owns the telephone system. Theoretically, one could talk from one side of the country clear across to the other side for the equivalent of about 22 cents. Why? Because the government owns the system and the government is afraid of political reprisals at the polls if the rates are raised to the point at which the system would be at least halfway self-supporting. They pour more money into the operation and thus subsidize it heavily. The net result is that unless the average person pays a handsome sum for a telephone, he cannot get a telephone without a 6- or 7-year wait. He might not get through on the long-distance telephone lines anyway, but if he could, the cost would be about 22 cents. That is the rate for a call clear across the country. Political pressure will not permit them to charge a realistic and practical rate to pay the necessary costs and provide a decent or proper telephone service.

Mr. LAUSCHE. I commend the Senator for his contribution.

Mr. HICKENLOOPER. Mr. President, I had not intended to take this long this evening, but I believe a great many points have been cleared up.

I should now like to read a letter which came into my office last Saturday. I have given it my attention last night and this morning. It is a letter from a man who is quite conversant with Latin America. I do not know him personally, but I have talked with him on the telephone. His name is Eric N. Baklanoff, director of the Graduate Center for South American Studies, at Vanderbilt University in Nashville, Tenn.

I believe this letter is quite pertinent and makes some very telling points. Mr. Baklanoff has specialized in Latin America, its development and its economics. I have permission to use his letter.

The letter is dated November 6, 1963:

DEAR SENATOR HICKENLOOPER: I should like to commend you on the provision which you have attached to the foreign aid bill to safeguard the legitimate interests of U.S. citizens and corporations abroad.

In respect to the current investment climate in Latin America, U.S. investors have been disengaging themselves from the area for good reasons. Brazil has expropriated \$145 million of U.S.-owned utilities without compensation and nationalist politicians there are casting hungry eyes upon the largely Canadian owned \$600 million Brazilian Traction Co. The recently enacted profits remittance law penalizes the reinvestment of profits by foreign companies in that country and in the current year the flow of private foreign capital to Brazil is a tiny fraction of the high levels sustained in the period 1956-61. Creeping expropriation of foreign-owned utility companies has been commonplace throughout Latin America as utility rates were frozen by official decree during the course of inflationary rises in money costs and prices. The consequence, of course, has been a squeeze on profits, failure of new investment in this key sector, and poor service. Government-induced shortages and inadequate service then becomes the "grounds" for nationalizing the foreign firms to put an end, once and for all, to their allegedly "exploitative" and "abusive" practices.

In Venezuela and Peru Castro-Communists have with impunity sabotaged U.S. property valued in the millions. In Chile, the U.S. copper companies have been paying taxes to the Chilean National Government equal to 85 percent of net profits—

As I said a while ago, I believe the latest figure is 87 percent of the net profits. That is my best information—and expropriation of their holdings is a credible possibility after the next presidential election in that country. Meanwhile, the new Argentine administration is moving to unilaterally break its contracts with the foreign oil companies to the disadvantage of the latter although it is recognized that these companies, by making Argentina self-sufficient in petroleum, have saved that country roughly \$300 million annually in foreign exchange resources.

The suggestion, increasingly advanced in our country, that the U.S. Government should insure private firms against expropriation by Latin American governments is not a satisfactory answer. The reason for this is elementary: public funds committed by us to the Alliance for Progress would increasingly be used to bail out private American companies rather than for the social and economic development of Latin American countries.

In the absence of totalitarian police state rule in Latin America, which would extract capital from workers and peasants as well as provide the requisite industrial discipline, it becomes necessary, if economic development is desired, to rely heavily on a structure of incentives among which the monetary factor is necessarily important. If our premise is correct, then it would appear that the proper procedure for our Government would be to do everything in its power to remove as many of the political uncertainties which currently face private investors south of the Rio Grande.

One answer, I believe, is power politics—less at home and more abroad: penalize unacceptable behavior, reward that which is acceptable to us; differentiate between trusted allies and uncommitted opportunist states to the benefit of the former. For example, if country B in Latin America threatens to "go Communist" because of a short-fall in U.S. public assistance, let's put that threat to the test.

In short, we are a great power (some like to call us the "Colossus of the North") among nations. For a change, let's act like one.

Sincerely,

ERIC N. BAKLANOFF,  
Director.

In closing, let me point out that we have discussed Argentina today at great length, but the same principle applies to Chile, Peru, or any other country in Latin America. It applied to Honduras, when that country threatened to expropriate American property several months ago. It would apply to any Latin American country which attempted to expropriate and seize the property of Americans, legitimately invested in those countries with the prior approval and agreement of those countries. So, I do not wish it to be understood this evening that we are talking about only Argentina. We are also talking about a possible wave of expropriation and seizure which might sweep across the Latin American continent because it may be "easy money" to seize the property of the "Yankees to the north."

It also would apply to any other country in the world.

It already has applied to Ceylon, and it will apply to any other country in the world that wishes to get something for nothing from "Uncle Bountiful," who has been quite generous during the past 15 to 20 years in his largess. The countries which really need our aid should take advantage of the opportunity to stabilize themselves, to advance themselves, to live with the family of nations, a status to which they aspire and which we hope they will attain.

Mr. President, I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks the following articles and editorials:

An article published in the Christian Science Monitor of October 21, 1963, entitled "Oil Contracts in Argentina Threatened."

An article published in the New York Herald Tribune of November 10, written by Barnard L. Collier, entitled "Fury Impends Over Argentina—U.S. Oil Firms To Be Dealt Out."

An article printed in the Christian Science Monitor of November 11, 1963, written by Isaac A. Levi, and entitled

"Argentina Rules Out Renewal of Oil Contracts."

An article from the Wall Street Journal of November 12, 1963, entitled "U.S. Envoys Fail To Convince Argentina To Keep Pacts With Foreign Oil Concerns."

An Associated Press article published in the Washington Post for November 12, 1963, entitled "Argentina Reaffirms Oil Annulments."

An Associated Press article published in the Washington Star for November 11, 1963, entitled "Latins Seeking Greater Voice on U.S. Aid."

An article published in the New York Times of November 12, 1963, written by Edward C. Burks, and entitled "Argentina Bars Oil-Pact Accord."

An article published in the New York Times of November 13, 1963, written by Juan De Onis, and entitled "Latin Leaders See Crisis in Alliance for Progress."

An article written by Mr. Edward C. Burks, and published in the New York Times for Wednesday, November 13, 1963, entitled "Argentina Hints Oil Pacts Won't Be Continued."

An article published in the Christian Science Monitor for November 13, 1963, written by Bertram B. Johansson, and entitled, "Argentina: U.S.-Aid Crisis."

An editorial published in the Washington Post of November 11, 1963, entitled "The Alliance Founders."

An editorial published in the New York Times for November 13, 1963, entitled "Cracks in the Alliance."

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. HICKENLOOPER. I could fill the RECORD with clippings and news stories from across the seas and in other areas, but I put these numerous clippings in the RECORD to show that this is a movement that has received considerable attention, and that there is a great basis for apprehension.

I ask unanimous consent to have printed following my remarks a study which I have had made, entitled "Creeping Expropriation"; as well as another result of a little research, which is entitled "Some Recent Instances or Threats of Creeping Expropriation," with the specification at the top of the paper that they are only examples, and it is not an exhaustive listing, referring to such countries as Brazil, Mexico, Venezuela, Colombia, Canada, Ceylon, and France, showing various stages of seizure of American property and expropriation.

The PRESIDING OFFICER. Without objection, the material will be printed in the RECORD.

(See exhibit 2.)

Mr. HICKENLOOPER. Mr. President, I also ask unanimous consent to have printed at the conclusion of my remarks a statement contained in the report of the Foreign Relations Committee on the bill, under the heading "Major Instances of Expropriation of Property Belonging to U.S. Nationals Since World War II." This study was developed as of early 1962. It merely indicates that the problem has been with us a considerable time. I refer to pages 93, 94, and 95 of the committee report.



The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 3.)

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. HICKENLOOPER. I yield.

Mr. FULBRIGHT. The Senator from Iowa has taken the lead in the committee in the introduction and perfection of what is commonly called the Hickenlooper amendment, which I believe, and I am sure the committee believes, would apply to situations such as he has described in Argentina and in other countries.

I think that in fostering this amendment he has rendered a great service and that it is a great improvement in the bill.

I do not believe there is any doubt that the amendment applies to the situation in Argentina. If the officials of that country have any respect for or hope in the Alliance for Progress, they will find a way to comply with the provisions of the amendment. In other words, if they insist on expropriation, they will find themselves in a process of decompensation, as provided for by the amendment.

Mr. HICKENLOOPER. I thank the Senator from Arkansas, the very able chairman of the Foreign Relations Committee, who has been helpful in obtaining an objective study of this matter in the committee, and who has contributed valuable suggestions as to how to best approach a difficult situation.

It is not my feeling, and I think it is not that of members of the committee, to impose conditions or situations which are so oppressive that they will not work. We want, in fairness, equity, and decency, to assist other countries to establish themselves on a basis of stability and progress. That is what we are searching for. But I am sure most of us are of the opinion that for them to continue along the lines which they have been following will lead to nothing but economic chaos and destruction—from which we hope we can lift them, if our aid counts for anything. If it does not, and they are not able to take advantage of the bounty which American taxpayers are supplying them, we had better pull out and see what will happen.

I hope we can work out with those countries a basis of equity, fairness, decency, and appropriate concepts of property and moral rights, such as their own citizens have, and that we can make progress. I rely upon the State Department to be cooperative in using its vigor, authority, and great influence in accomplishing this objective.

That concludes my remarks, Mr. President. I appreciate the patience of Senators in listening to my remarks, but I believe this is a record which we have made for a firm understanding by countries of the world that there is an end to our gullibility or our unrequited bounty, and that while we are, I am sure, willing to go far in our assistance to other countries, there is a limit beyond which we will not go. Other countries had better understand this quickly, not only for their own general progress, but for the good of the common goal of the

advancement of human liberty and economic development.

#### EXHIBIT 1

[From the Christian Science Monitor, Oct. 21, 1963]

#### OIL CONTRACTS IN ARGENTINA THREATENED

BUENOS AIRES.—The newspaper La Nacion says that contracts between the Argentine Government and private oil companies soon will be annulled by presidential decree.

La Nacion gave no source for its information. It merely said the contracts with private oil companies "will, according to our best references, be declared null and void by an executive branch decree" to be issued in the near future.

Meanwhile, it added, President Illia's new cabinet is consulting various government agencies and experts on the subject.

According to La Nacion, once annulled, both the contracts and the new decree scrapping them will be submitted to Congress for consideration.

Most of the contracts involve American companies. They were negotiated and signed in 1958 at the start of deposed President Frondizi's government in an effort to boost Argentina's oil production.

Argentina, at the time, spent about \$250 million importing oil from abroad to make up its production deficit. All phases of production were monopolized by a state agency.

Since, Argentina has become nearly self-sufficient in oil and even has some small surpluses for export. Experts claim the enormous boost in production was brought about by the contracts, which still left full title of the oil extracted to the state.

President Illia's Peoples Radical Party (UCRP) won this year's special general elections with "annulment of oil contracts" as the main plank in its campaign.

The UCRP and other parties have repeatedly criticized the oil contracts of the Frondizi administration as "illegal" on the premise that Mr. Frondizi never submitted them to Congress for consideration.

Critics also say the contracts enable the companies to overcharge for the oil. They assert that better terms, much more favorable to the government could have been negotiated.

[From the New York (N.Y.) Herald Tribune, Nov. 10, 1963]

#### FURY IMPENDS OVER ARGENTINA, U.S. OIL FIRMS TO BE DEALT OUT (By Barnard L. Collier)

In spite of all the U.S. bellowing and cooing to get him to change his mind, Argentina's newly elected President Arturo Illia is stuck. He is going to keep his campaign pledge and nullify the 6-year-old contracts with eight U.S. oil companies.

The move is likely to come soon—probably within a week. It is unlikely that even Under Secretary of State W. Averell Harriman's chat with Mr. Illia last week, in which "that touchy subject" was so carefully broached, will alter the plans for cancellation.

And just as sure are the repercussions the Argentine decision will provoke. An enormous fuss is imminent in the U.S. Congress; the majority of the oil companies involved are set to attack the "ultra-nationalist blunder." The State Department will fret. And again the Alliance for Progress concept will be endangered.

#### CAN'T BACK DOWN

But 63-year-old President Illia, a country doctor turned politician, who wooed a lot of nationalistic Argentine votes last July by promising to annul the controversial contracts, is in no position to back down. The realities of Argentine politics and the chau-

vinistic passions oil arouses in Argentina would make reversal tantamount to jumping off the Casa Rosada Presidential Palace roof.

"Therefore," says a high Argentine diplomatic official, "the thing must be done, the furor allowed to pass over. Then some cool-headed negotiating can take place."

That is the optimistic viewpoint. What bothers many observers both in the United States and Argentina, is whether the matter will explode into such a messy issue that the prospects for negotiation will evaporate in the white heat of nastiness and invective on both sides.

At the moment this is a strong possibility. The first shock waves of the contract cancellation are sure to be felt in the U.S. Senate, which is in no mood these days to cater to the whims of foreign governments when it comes to tampering with U.S. investments legally made.

#### FOREIGN AID

Most disturbing is the amendment to the foreign aid bill put up by Senator BOURKE B. HICKENLOOPER, Republican, of Iowa, which would make statutory a suspension of economic aid to any country which decides to "repudiate or nullify existing contracts or agreements" with U.S. citizens or corporations.

If Dr. Illia goes through with the oil cancellations, Senator HICKENLOOPER's provision would directly apply to Argentina—a grim prospect for a country trying to recover from almost 3 years of total economic chaos.

If aid to Argentina is cut off under the Hickenlooper measure, a good many people will agree that the Argentines are getting just what they deserve. Foremost among these are several oil company men who pressed Senator HICKENLOOPER into tacking on the amendment which the Senator describes as a "shock treatment" to make it clear that Congress takes seriously treatment of U.S. industry abroad.

The oilmen contend that when the contracts were signed with the regime of former President Arturo Frondizi back in 1958, everything was done in good faith.

"We stuck our necks out to invest in Argentina," says one oil executive, "and we produced more than anyone could have hoped for. The contracts were and are perfectly legal and binding. Now that we stand to make some profit, the Argentines are reneging."

Unquestionably, the U.S. oil companies which were given contracts to drill, produce and sell oil to the Argentine oil monopoly Yacimientos Petroliferos Fiscales (YPF) did a remarkable job.

In 1958, the Argentine economy was sagging under a \$250-million-a-year foreign trade deficit because it was forced to import the bulk of its oil products. Within 3 years after the contracts were signed, the nation was virtually self-sufficient in oil and the debt was wiped out.

The contractors were given areas for exploration (not land concessions) by YPF, and took the risk of finding or not finding oil there. At least three of the oil companies found few gushers; others struck oil quickly and under the contracts delivered all that was pumped to YPF for a predetermined price ranging from \$1.75 a barrel to \$1.59 a barrel. The standard import price for oil to Argentina before the contracts, according to the oilmen, was \$2.60 a barrel.

In all, U.S. oil companies invested and re-invested nearly \$350 million in their Argentine operations—one of the largest injections of private capital ever made in Latin America. "Sure, we stood to make profits commensurate with our risks—we invested nearly \$100 million in wildcatting and development on an if-come," said one oil spokesman.

"But all our equipment is now the property of YPF and we found oil and pumped it—which is something YPF could never have done," he added.

#### NATIONALISTIC FEVER

Although most knowledgeable Argentines agree that YPF had a difficult time finding oil in a crankcase, they are now in the grip of a nationalistic fever that according to State Department sources—and also the oilmen—has ruled out any effective negotiation on the matter so far.

In previous statements, Dr. Illia has said firmly that the contracts would be annulled but would immediately be renegotiated on terms more acceptable to Argentina. The new terms would most likely include a reduction in sale price to YPF, more Argentine representation in operations, and an end to tax benefits for the oil companies.

But the U.S. oil men are worried that an upsurge of even stronger nationalism might rule out Dr. Illia's "honest good intentions" in renegotiating the contracts and result in outright confiscation.

If the companies are indeed expropriated there would be no way—the pie-in-the-sky schemes of some Argentine nationalists notwithstanding—to reimburse the companies with anywhere near the amount to which they are legally entitled.

#### SILLY PLANS

Says one Argentine businessman: "There are silly plans to pay off the companies out of profits YPF would make over the next 4 years or so. This is absurd. First, YPF is not capable of making a profit; second, it needs all the funds it can get for already accrued debts. Like it or not, Argentina must find some way to get along with the oil companies—but the oil companies must also realize that they must compromise."

At the moment, it appears that unless one side or the other grows childishly rash or irate, a compromise can be worked out.

According to many oil men, the companies are ready to sit down and negotiate new contracts if Dr. Illia will only give assurances that he can get a green light on doing so. Up to now, the oil men claim, they have not tried to press the renegotiation issue because the Illia government, caught up in the nationalist tide, has merely repeated over and over that the nullification will take place to soothe the national conscience.

The nationalists continue to raise the issue of the contracts alleged illegality, charging that the Frondizi regime violated the constitution, harmed the economy, and agreed to pay far too much for the oil the contractors pumped.

#### SILENT MEN

The Argentine press gives these charges large play and, not wanting to indulge in an all-out battle now, most Argentine businessmen—even those opposed to the nullification—have kept silent on the matter, hoping for a cooling-off period.

For their part, the U.S. oil men, constantly peppered by implications that too many pay-offs were made to get the contracts, have been content to postpone any really hard negotiations and merely say: "The contracts are good. There was no hanky-panky."

If both sides stick to a hard line after the cancellations, most observers agree that the result can only be a catastrophe for Argentina and a blow to the Alliance for Progress. Unless quick action on renegotiation is taken, the flight of foreign capital from Argentina and the rest of Latin America is almost certain to be swift and devastating.

If the Hickenlooper amendment is put into effect, the reaction in Argentina and the rest of the hemisphere is sure to be unanimously anti-United States—a fact which even the oil men who pushed for the amendment admit. State Department officials break into a cold sweat just thinking about it.

What is needed now, says one Latin American diplomat, is a period of calm that isn't going to come.

"Dr. Illia will annul the contracts and there will be the storm. But neither side can forget that the annulling isn't the end. There must be voices of reason who will see the political implications on both sides and realize that Argentina and the United States—two mature nations—can certainly work out this matter without a break that would be pitiful for all concerned."

[From Christian Science Monitor, Nov. 11, 1963]

#### ARGENTINA RULES OUT RENEWAL OF OIL CONTRACTS

(By Isaac A. Levi)

BUENOS AIRES.—Oil company executives are showing concern at a statement by the Argentine undersecretary of power and fuels that their contracts with the Government—once canceled—will not be renegotiated.

The undersecretary, Juan Sabato, told newsmen the Government's special oil study commission "has absolutely discarded all possibility of renegotiating these contracts."

Oil company executives refused to be quoted by name, but many of them expressed concern privately at Mr. Sabato's statement. Word had been going around the oil industry this week that some of the contracts—once annulled—would be renegotiated.

#### CONTRACTS CHALLENGED

Annulment was a main plank in the election campaign platform of President Arturo Illia's Peoples' Radical Party (UCRP).

The party maintains the contracts are illegal because they were not subjected to congressional approval when signed by President Arturo Frondizi's government in 1958-59.

The UCRP platform also charges they are harmful to Argentina's interests and detrimental to Yacimientos Petroliferos Fiscales (YPF), the Argentine state oil concern.

Mr. Sabato is the Government's foremost advocate for canceling the contracts. He said the study commission has already drafted the necessary decrees and submitted them to President Illia for his approval and signature.

"The situation is [now] in the hands of President Illia," he said. President Illia is expected to call a full-dress cabinet meeting—probably within a few days—before final action on the measure.

#### HISTORY TRACED

Oddly enough, the contracts—about 10 in all—were negotiated and signed by Mr. Sabato's younger brother, Arturo, an emphatic proponent of allowing the oil companies to continue working here unhampered.

Arturo was President Frondizi's personal delegate to YPF, and as such was directly responsible for negotiating the contracts—most of them with U.S.-owned companies.

That was in 1958. At that time Argentina imported 65 percent of its oil for a total value of about \$200 million. Since then, Arturo asserts private companies have made Argentina nearly self-sufficient.

The combined investments of the U.S. oil companies alone total an estimated \$397 million. Statements by various Government officials about the possibility of indemnification are conflicting.

Some Government officials indicate the companies would be indemnified. Others, however, have told reporters there will be no compensation.

[From the Wall Street Journal, Nov. 12, 1963]

#### U.S. ENVOYS FAIL TO CONVINCE ARGENTINA TO KEEP PACTS WITH FOREIGN OIL CONCERNS

BUENOS AIRES.—U.S. negotiators apparently failed in their attempt to deter Argentina

from canceling foreign oil contracts in this South American land.

Hardly had Under Secretary of State W. Averell Harriman left Buenos Aires Sunday than the Argentine Government leaked a communique announcing its "sovereign and irrevocable decision" to annul the contracts this week.

The communique had been designed as a joint United States-Argentina statement after Mr. Harriman completed his talks with President Arturo Illia and other Government leaders. But a high Government source said Mr. Harriman "understandably, didn't want to sign."

President Illia and Mr. Harriman firmly stated their positions in conversations Sunday, informed sources said.

#### ALLIANCE FOR PROGRESS THREATENED

An authoritative U.S. source said "failure by the Argentine Government to act within the concept of the U.S. position can harm this climate (for foreign capital) and with it the Alliance for Progress."

Argentina, it was understood, has promised to act within the law and to compensate the foreign companies if the contracts are annulled. The communique, however, made no mention of indemnification. The United States has demanded just and immediate compensation be paid.

U.S. Ambassador Robert McClintock is known to have planned a trip to Washington later this month to report on Mr. Illia's new administration. Now he may be called home earlier.

In his successful campaign for the Presidency, Mr. Illia assailed the legality of the 1958 foreign oil contracts because he charged Arturo Frondizi, then Argentina's President, signed them without authorization from the Argentine Congress. Mr. Illia restated his views in his inaugural address last month.

Under the disputed contracts, the foreign companies are allowed to explore and develop oil reserves in areas assigned to them by the Argentine oil agency, YPF. Any oil found, however, doesn't belong to the companies. It must be delivered to YPF, which compensates the companies for their expenses at a predetermined rate. For some of the producers, the compensation amounts to \$1.59 to \$1.70 a barrel.

#### COMPANIES INSIST CONTRACTS ARE LEGAL

The foreign oil companies, mostly U.S. concerns, insist the contracts are legal and that under this assumption they have invested \$397 million since 1958 in developing Argentina's oil industry.

The Government, informants said, hopes that much of the work done by the foreign companies can be taken over by the state oil agency, now undergoing reorganization at Mr. Illia's order.

More information about Argentina's plans are expected to be announced today in a television and radio address by Facundo Suarez, president of the Argentine oil agency.

The affected companies include: Esso (Argentina), Inc., a subsidiary of Standard Oil Co. (New Jersey); Tennessee Argentina, S.A., a subsidiary of Tennessee Gas Transmission Co.; Pan American Argentina Oil Co., a subsidiary of Standard Oil Co. of Indiana; Transworld Drilling Co., a subsidiary of Kerr-McGee Oil Industries, Inc., and units of Continental Oil Co., Cities Service Oil Co., Marathon Oil Co., the Royal Dutch-Shell Group, Southeastern Drilling Co. and Ente Nazionale Idrocarburi of Italy.

[From the Washington (D.C.) Post, Nov. 12, 1963]

#### ARGENTINA REAFFIRMS OIL ANNULMENTS

BUENOS AIRES, November 11.—Despite U.S. warnings, the Argentine Government reaffirmed today its sovereign and irrevocable decision to annul oil contracts with foreign companies, most of them American.



A high Government source said the Argentine position was made clear to W. Averell Harriman, U.S. Under Secretary of State for Political Affairs, in talks with Government leaders last weekend.

Informed sources had reported Harriman warned that cancellation of the oil contracts without just compensation could harm the program of U.S. aid to Argentina as embodied in the Alliance for Progress program.

President Arturo Illia emphasized in his talks with Harriman and U.S. Ambassador Robert McClintock that the Government would move in a legal and nonviolent manner, the Government source said. Indemnification also was promised "within the just rights of a company as determined by law," the source added.

However, there was no mention of indemnification in a communique leaked by the Government. The communique was to have been issued Saturday as a joint statement by Argentina and the United States. This communique announced the decision to annul the contracts and said the action will be taken this week.

"Harriman, understandably, did not want to sign," said the source. "That was when the compromise communique was issued which merely referred to the oil issue in vague terms."

Argentina insists the contracts are illegal because they were never submitted to Congress but were entered into by a decree issued by Arturo Frondizi when he was President.

Major oil company representatives met with Harriman yesterday before he left for São Paulo and an important meeting of the Alliance for Progress. They told him that they too had been unable to dent the Argentine attitude on the contracts.

[From the Washington (D.C.) Star, Nov. 11, 1963]

**LATINS SEEKING GREATER VOICE ON U.S. AID**  
SÃO PAULO, BRAZIL, November 11.—A hot ministerial debate is looming over a proposal to give Latin members of the Alliance for Progress a bigger voice in the administration of Washington's multi-billion-dollar program.

The plan, already approved by U.S. and Latin technical experts, came before top-level representatives of the 20-nation Alliance at a conference of the Inter-American Economic and Social Council opening today. U.S. Under Secretary of State W. Averell Harriman was expected to endorse the plan.

The idea behind the proposed change is to minimize the program's Yankee overtones in an effort to make it more palatable to the recipients. The Alliance, developed under President Kennedy's administration, has met stiff resistance from the dominant conservative class in most countries because it calls for reforms that would curtail their privileges.

#### CLEARINGHOUSE URGED

The technical experts recommended that the Council establish a permanent agency called the Inter-American Committee for the Alliance for Progress. It would act as a clearinghouse for Alliance projects.

The agency, with headquarters in Washington, would consist of seven members selected by the Inter-American Economic and Social Council.

Brazil was reported opposed to the proposed new setup.

Several nations suggested that Brazil—which has received more than \$752 million in foreign aid but has little to show for it—is afraid the other Latin American nations will be less sympathetic to her perennial plight than the foreign money sources she has cultivated.

Also on the Council agenda were resolutions dealing with foreign trade and economic integration.

#### NO ASSURANCES ON OIL

Mr. Harriman came to São Paulo after conferences in Argentina on that nation's plan to annul oil contracts of U.S. and other foreign firms.

Authoritative sources in Buenos Aires said Mr. Harriman left without assurances that the contracts would not be canceled. An American source there said:

"We did not even find out in our talks with Government officials exactly why Argentina objects to the contracts."

"It was made very plain to Argentina that it would not make much sense for the U.S. Government to make loans to governments which would abrogate contracts and then would seek to do work that could be done adequately by private firms."

[From the New York (N.Y.) Times, Nov. 12, 1963]

**ARGENTINA BARS OIL PACT ACCORD—HARRIMAN MISSION IS CALLED FAILURE—AID SAYS U.S. COMPANIES OWE TAXES**

(By Edward C. Burks)

BUENOS AIRES, November 11.—Argentine newspapers said today that W. Averell Harriman, Under Secretary of State for Political Affairs, had failed in his mission to persuade Argentina to soften her stand against U.S. oil companies.

Hints that the American companies involved might get relatively little compensation when Argentina took them over were also printed.

The leading afternoon paper La Razón quoted Antulio Pozzolo, Fuels and Energy Secretary, as having said the companies owed a huge amount of back taxes.

The compensation to them would thus be sharply reduced when they are taken over. The Argentine Government intends to cancel the contracts under which the American companies have been working here soon, probably this week.

#### COMPENSATION IS AT ISSUE

The major point of dispute is whether the companies will receive prompt and adequate compensation. They say they have invested more than \$200 million here and that Argentina's State Petroleum Authority owes them more than \$100 million for delivered oil.

The dispute has caused the severest strain in United States-Argentina relations in years.

There are reports that both the Italian State Oil Authority and the Russians are active trying to enter petroleum production in Argentina when the Americans leave.

The issue has taken on highly nationalistic tones in a number of newspapers.

#### SIGNED WITH FORMER REGIME

The companies involved signed contracts with the government of President Arturo Frondizi to drill wells and produce oil here for the State Petroleum Authority, and in one case to operate a distribution system including service stations. The Government contends that the contracts are illegal, having gone into effect without ratification by Congress. The Frondizi government put the contracts into effect by executive decree.

But Mr. Pozzolo and others go further and maintain that since the contracts are illegal, the tax-exemption clauses in them are, too.

Mr. Pozzolo has been quoted in the press as having said it is now a question of "who owes whom."

Mr. Harriman left yesterday after having warned Argentine officials that cancellation of the contracts without adequate and prompt compensation would severely impair Argentina's prospects for aid under the Alliance for Progress.

Mr. Harriman is heading the U.S. delegation to the Inter-American Economic and Social Council Conference at São Paulo, Brazil.

The press here is printing articles to the effect that the American companies knew the severe risks they were taking in signing the contracts with the Frondizi government.

The companies say Dr. Frondizi was a legally elected President and that the procedure for the contracts was legal.

President Illia has said the companies will receive "just compensation under Argentine law. Mr. Harriman, however, seemed to be dissatisfied with what he heard from Government officials on compensation or the possible renegotiation of the contracts.

Since the American and other foreign companies began their operations in 1959, Argentine oil production has nearly tripled and the country has almost attained economic self-sufficiency.

But there were many complaints from Argentine officials that the country had to pay too much.

Government sources were quoted today as having said that Dr. Illia had succeeded in getting a high-level Washington negotiator like Mr. Harriman to come here, whereas Dr. Frondizi, despite all his friendly overtures to the United States, had never had such success.

[From the New York (N.Y.) Times, Nov. 12, 1963]

#### PERIL TO ALLIANCE FUNDS SEEN

WASHINGTON, November 11.—Administration officials suggested today cancellation of Argentina's contracts with United States and European oil companies could upset efforts to get Congress to vote more funds for the Alliance for Progress.

The Argentine proposal and a similar one in Peru strike at the heart of the administration's policy to encourage private capital, in both the United States and Western Europe, to supplement Government financing of Alliance programs.

Aware of the trend toward nationalization, the Senate is considering a provision in its foreign aid bill that would require the President to suspend economic assistance to any country that decides to "repudiate or nullify existing contracts or agreements" with American companies.

Senator HUBERT H. HUMPHREY, of Minnesota, the majority whip, who last week led a drive to restore \$75 million to bring Alliance funds back to \$525 million, was dismayed at the developments in Argentina.

"Congress is no longer in a mood to give lending authority to the administration so that the money can be used by our Latin American friends to expropriate private American properties."

President Kennedy can be expected to express this concern in Miami next weekend to Argentina's Vice President, Carlos Humberto Perette, diplomatic officials disclosed today.

Mr. Kennedy is scheduled to attend the annual convention of the Inter-American Press Association. Mr. Perette will be in Miami for an Argentine Friendship Week.

Diplomatic sources said it was virtually certain that the President would take advantage of Mr. Perette's presence in Miami to emphasize the administration's problems as a result of the proposed Argentine action.

Mr. Perette is considered to be among those advising President Illia to assume an intransigent attitude on the cancellation of the contracts. The Vice President has denounced the contracts as unconstitutional and harmful to the Argentine economy.

It is understood that the Vice President and a group of officials in the recently inaugurated Argentine administration would like to turn over the assets of the private companies to the Government Petroleum Authority. To keep payments for compensation to a minimum, the officials were said to have suggested that the companies pay heavy retroactive taxes for the 5 years they have been in operation.

Under the administration of President Arturo Frondizi, the companies were promised special tax concessions and participation in profits.

[From the New York (N.Y.) Times, Nov. 13, 1963]

#### LATIN LEADERS SEE CRISIS IN ALLIANCE FOR PROGRESS

(By Juan De Onis)

SÃO PAULO, BRAZIL, November 12.—Latin America's economic leaders agreed unanimously today that there was a crisis in the Alliance for Progress.

The need for powerful new measures to activate economic growth in Latin America was posed before the second annual review meeting of the Alliance for Progress here. There was more criticism of U.S. aid policies and of international trade conditions than there was of Latin American failings.

The assembly of delegates from 20 countries, including the United States, engaged in the Alliance for Progress, heard José Antonio Mayobre, executive secretary of the United Nations Economic Commission for Latin America, Felipe Herrera, president of the Inter-American Development Bank, and Raul Prebisch, secretary general of the United Nations World Conference on Trade and Development.

"What is apparent before the eyes of the world," said Dr. Mayobre, "is that after 2 years of this program we are far from attaining the minimum goals set by us and that in many countries stagnation, economic retrogressions and the inflationary spiral are the predominant situation."

He attributed the problem to the deterioration in recent years of Latin America's share of world trade and a growing inability to pay for imports vital to development. This, he said, has led to indebtedness beyond bearable limits.

Dr. Mayobre said that on the basis of United Nations figures, the net influx of capital into Latin America, excluding Cuba, between 1955 and 1961 was \$8 billion.

"The contribution of foreign capital has barely served to compensate, in incomplete form, for the losses occasioned by the deterioration of prices," Dr. Mayobre added. He said that "in the present condition, foreign financing has not signified a satisfactory substitute for foreign trade."

Mr. Herrera, whose Inter-American Bank has loaned more than \$600 million in Latin America since it was founded in 1961, said that it was "a tangible fact that recent contributions of foreign private investment in the continent show a notorious declining rhythm."

As a result, he said, the Alliance for Progress expectations for foreign private investment had not been fulfilled.

The Alliance for Progress, as proposed by President Kennedy and adopted at the Punta del Este, Uruguay, meeting of American finance ministers in 1961, forecast \$20 billion in foreign investment over 10 years, of which half was expected to come from private sources.

Dr. Prebisch, who is organizing the major United Nations World Conference on Trade Relations Between the Industrial and Underdeveloped Countries, placed Latin America's foreign income problem in the larger framework of all the less developed countries.

The prominent Argentine economist said that if present trends were not reversed the underdeveloped countries would as a whole be \$20 billion in debt to the industrial countries by 1970.

He added that it was impossible for the underdeveloped countries to carry such a debt and that the consequence would be a reduction in their internal rates of development, highly dependent on imports.

"Unless there is a new formulation of world trade," Dr. Prebisch continued, "the

underdeveloped countries of Latin America will not be able to fulfill the target of an annual increase of 2.5 percent per capita in gross national product called for by the Alliance for Progress."

He said a compensation fund should be created by the wealthy nations to offset price declines.

Both Mr. Herrera, a Chilean, and Dr. Mayobre placed heavy emphasis on the political and psychological difficulties posed by an impression that the Alliance for Progress was a U.S. aid program and not a cooperative effort.

The U.S. delegation, led by W. Averell Harriman, Under Secretary of State for Political Affairs, has recognized this Latin American criticism, and is supporting the creation of a predominantly Latin American coordinating committee for the Alliance for Progress.

There is still considerable division of opinion among Latin Americans on what the powers and framework of this proposed seven-man committee should be, with Brazil in open dissent.

Dr. Mayobre, in an open reference to the U.S. Congress, said that such a committee would be doomed to failure in Latin American eyes, if its launching coincided with "the reduction of aid funds, with unilateral conditions imposed on the granting of loans, and the failure to adopt bold decisions to improve the circumstances of our foreign trade."

[From the New York (N.Y.) Times, Nov. 13, 1963]

#### ARGENTINA HINTS OIL PACTS WON'T BE CONTINUED—OFFICIAL SAYS COUNTRY CAN PRODUCE WITHOUT HELP OF FOREIGN CONCERNS

(By Edward C. Burks)

BUENOS AIRES, November 12.—Facundo Suarez, new president of the Government's Petroleum Authority, indicated in a speech today that the petroleum authority could carry forward Argentina's oil-production program on its own.

This was interpreted by some oil men as an indication that Argentina would not renegotiate the contracts of U.S. companies once these contracts were canceled.

The U.S. companies have been working directly for the petroleum authority.

The government of President Arturo Illia says that the contracts, signed with the Government of President Arturo Frondizi, are illegal because they were put into effect by executive power, without congressional ratification.

Foreign Minister Miguel Zavala Ortiz, in another attack on the disputed contracts, said that Argentina must rid herself of a feeling of dependency. He addressed the Foreign Press Association today. Mr. Zavala Ortiz said: "We Argentines have to affirm confidence in ourselves." He said that the Government's policy was one of peace and friendship with all and of solidarity with the free world.

A major contention of the new Government is that President Frondizi violated democratic procedure by approving contracts detrimental to the economy without getting competitive bids.

#### NO FORMAL COMPLAINT MADE

The Government has made no formal complaint about the contracts to the U.S. companies. "They have not told us what's wrong," an executive of one company said today. "We have had no chance to explain our position."

When American and several other foreign companies began operations here in 1959, Argentina was spending \$250 million a year—20 percent of her total import expenditure—to import petroleum.

The U.S. companies point out that the Government Petroleum Authority, working without foreign help, had been unable to

produce more than one-third of the country's oil needs.

After the foreign concerns began operations, Argentine production nearly tripled by the end of 1962.

Mr. Suarez, the president of the Petroleum Authority, said today that there had been an attempt to run down the abilities of the authority and to cause an inferiority complex here at the time the contracts were signed.

He said the Authority had thus delivered to the U.S. companies large sums of money that it could have used for its own development.

An American executive said that the companies, working to explore for oil and to develop oilfields, had invested a total of \$237 million and by July of this year had only received a return of \$132 million.

Argentine officials deny this.

Mr. Suarez charges that the American companies moved into areas where the state Petroleum Authority had already proven the existence of large quantities of oil. He continued that the state Authority now produced 70 percent of the country's oil, while the private companies working under contract here accounted for only 30 percent.

Official figures show that for 1962, one-half of Argentina's oil was produced either by foreign companies working for the Petroleum Authority or from wells drilled by foreign concerns. Mr. Suarez expressed confidence that Argentina could produce 96 percent of her present petroleum need.

[From the Christian Science Monitor, Nov. 13, 1963]

#### ARGENTINA: U.S.-AID CRISIS—SEIZURE TEST (By Bertram B. Johansson)

In the short range, what the Kennedy administration is concerned about in the Argentine petroleum expropriation issue is the reaction it could create in Congress handling of the foreign aid bill.

Expropriation at a time when Alliance for Progress funds are pouring in could sour the foreign-aid bowl of cream even further.

One of the many riders attached to the foreign-aid measure is an amendment filed by Senator BOURKE B. HICKENLOOPER, Republican of Iowa, which would cut off aid to any country expropriating American oil companies.

#### CURB ON CEYLON NOTED

This is a refinement of an earlier foreign-aid amendment, passed last year and also sponsored by Senator HICKENLOOPER, that cuts off foreign aid to any country expropriating U.S. shareholder-owned properties without prompt and adequate compensation.

The 1962 measure already has been applied in Ceylon where the United States suspended aid in February 1963. The Ceylon government had taken over American-owned Esso and Caltex petroleum installations in June 1962, and had not come forward with compensation.

The compensation issue is of extreme interest in the United States, especially since the Castro government expropriated some \$1 billion of U.S.-owned properties in Cuba without coming forward with effective compensation.

Premier Castro's charges of a U.S. economic blockade against Cuba, in the opinion of many persons whose property was expropriated by the Castro government, sound hypocritical. Much of the U.S. isolation policy is based on the fact of the Castro expropriations as well as his deep alignment with the Communist camp.

#### PAY ACCENTED

In the Argentine instance, where W. Averell Harriman, Under Secretary of State for Political Affairs, has attempted to impress the Illia government of the advisability of providing for just compensation, the petroleum companies have helped bring the coun-



try to the point of self-sufficiency in petroleum. In fact, Argentina now exports petroleum, and saves some \$300 million in foreign exchange it formerly spent to import petroleum.

Contracts for oil well drilling, extraction, and, in some instances, for distribution of Argentina's rich petroleum resources were made during the Frondiz administration. President Illia now contends the contracts were not legal because not approved by the Argentine Congress but only by executive decree.

Even if there are differences between the Illia government and the petroleum companies on the amount the American firms should be receiving for their work, the raising of the whole issue at this time tends to discourage other private investment in Argentina.

In the meantime, President Goulart of Brazil, in an address to the opening of the second annual review conference on the Alliance for Progress, stressed two main points:

The necessity for Latin American countries to solve their own problems.

#### LIMELIGHT SOUGHT

And the need for adjusting the imbalance of low prices for raw materials that Latin-American countries sell while having to buy machinery and manufactured products from the United States at high prices.

In the total Latin-American text, British Guiana's Cheddi Jagan sought his share of the limelight by calling on his red-hatted progressive youth organization to "fight imperialism as Castro has done."

He said, "We stand here and support the Cuban revolution and the Cuban people," as he criticized Britain's having put off the colony's independence date.

[From the Washington (D.C.) Post,  
Nov. 11, 1963]

#### THE ALLIANCE FOUNDERS

The sound and fury emanating from Buenos Aires and Sao Paulo signify that the Alliance for Progress is in deep trouble, all the more serious because the Latin Americans themselves do not know what they want to do. It is sad that the President of Argentina feels he must make foreign oil holdings an exacerbating issue. It is no less distressing that the President of Brazil finds it easier to blame everyone but his own government for the economic sickness that afflicts the largest and most populous country of Latin America.

The source of the difficulty was mordantly analyzed by Felipe Herrera, president of the Inter-American Development Bank. Addressing the ministerial meeting in Sao Paulo, Dr. Herrera calculated that the region's annual growth rate has barely reached 1 percent—far below the target of 2½ percent set by the Alliance for Progress. Public investment has increased, he added, but private investment has declined.

Latin America urgently needs capital. But the political instability arising from stagnant economic conditions abets a capital flight—which in turn abets further extravagant attacks on foreign investors. When even so essentially moderate a president as Dr. Illia feels impelled to threaten nullification of oil contracts as the first order of his nation's business, then the depth of Latin America's malaise is evident.

In his speech at the Sao Paulo gathering, Mr. Goulart expressed exasperation without offering any plausible program for action. The Brazilian president is unhappy with the United States; he is disappointed in the Alliance for Progress; he blames inflation on the need for imports combined with falling export prices. But his prescription seems to be some form of hemisphere treaty that would put the Alliance on a new juridical basis.

Latin Americans have a sovereign right to be touchy about foreign capital. But surely they cannot at once lament the absence of investment while attacking those businesses that do venture into Latin America. They need to be reminded that there is another way of accumulating capital—by taxing their own wealth and restraining wages. This is a prescription that most Latin American countries find highly unpalatable; it is much easier to blame the Alliance for Progress for all that is wrong.

No doubt Under Secretary Averell Harriman may be disconcerted by the confusion of tongues at Sao Paulo. But like all of us, he must learn to live with disorientation of the Latin American mind. These are troubled times in the hemisphere, and things may indeed get worse before they get better.

[From the New York (N.Y.) Times,  
Nov. 13, 1963]

#### CRACKS IN THE ALLIANCE

Brazil and Argentina, according to the annual report of the Alliance for Progress, are showing the slowest rate of growth in South America. Yet these two major Latin American powers appear to be making the Alliance the scapegoat for their own failures. Brazil's President João Goulart has called on the Latin nations to establish a solid front against the industrialized nations. And Argentina's new President, Arturo Illia, is intent on canceling the contracts made with U.S. oil companies, which have invested over \$200 million in developing production facilities in Argentina.

Attacks on Yankee imperialism and the Alliance are nothing new. They have demonstrated political appeal in almost every nation of Latin America, particularly in countries suffering slowdowns in growth. But Brazil and Argentina are exceeding the usual bounds of demagoguery for domestic consumption. While they speak boldly of going it alone, they are evidently hoping that the threat of an inflow of new foreign capital from Western Europe or the Soviet Union will force Washington to continue to provide funds for development. They also may be banking on the administration's desire to make a success of the Alliance, which would be destroyed if its two largest South American members defected.

However, the economies of Brazil and Argentina would be hurt even more than the Alliance if they repudiated their contracts. For other governments or private foreign investors are unlikely to make funds available in view of the cavalier attitude that both Argentina and Brazil have adopted. Argentina's new government has a right to renegotiate or renounce the contracts made under previous regimes. But it cannot expect to attract new investment if it refuses reasonable compensation.

It would be a mistake to cajole the nations of Latin America into maintaining the Alliance by yielding to Brazil or Argentina. At the same time, little would be gained by an immediate cutoff of aid. Such action would only confirm the suspicions of ultranationalists, who despite their vocal strength remain a minority throughout Latin America.

Both Brazil and Argentina may still recognize the danger in cracking the Alliance and in repudiating foreign obligations. Economic independence and fair treatment of foreign investment are not irreconcilable. Intelligent self-help and greater cooperation within the Alliance can, in fact, lead to an increase in foreign capital needed for development. The choice is not between independence and foreign domination, but between stagnation and growth.

#### EXHIBIT 2

##### CREEPIING EXPROPRIATION

Recent instances or threats of "creeping expropriation" of American investments have

been brought to our attention. In some cases, the foreign government threatens to strangle a company by cutting off essential imports of products, parts, or machinery. In another case, the threatened action is not technically "discriminatory" since the American investor owns and operates the only business to which the action would be applicable; nevertheless, the action manifestly would have the effect of expropriating the enterprise, within the meaning of section 620(e). In another case, the foreign government threatened to prohibit the sale of certain American products under their recognized international trademarks, unless the company also agreed to sell below cost identical products without trademarks.

The congressional intent to cover all expropriatory actions, overt, or creeping, is emphasized in the committee report. The language in section 620(e) concerning "creeping expropriation" covers all actions which "have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of the property." The proposed additional language—"or has taken other actions"—appears in AID's specimen contract guaranteeing equity investments against expropriation risks. The contract defines "expropriatory action" to include any action "which is taken, authorized, ratified or condoned" by the foreign country and which "results in preventing the foreign enterprise from exercising substantial control" in the "use and disposition of its property". Under the AID contract, such action is expropriatory if it "has caused or permitted a dissipation or destruction of the assets of the foreign enterprise as a going concern." The AID Investment Guaranty Handbook declares that the contract "will usually be written to treat as a total loss expropriation either of all the assets of a foreign enterprise or a portion sufficient to destroy its value as a going concern."

Since 1950, the Foreign Claims Settlement Commission of the United States (and its predecessor agencies) have been interpreting the meaning of "creeping expropriation" in the context of international law and of various international claims agreements to which the United States was a party. In such agreements, the phrase "other taking" is generally used in conjunction with "nationalization" or "compulsory liquidation." The most recent examples are the U.S. agreement with Bulgaria dated July 2, 1963, and the agreement with Poland dated July 16, 1960. The latter agreement includes, in addition to "nationalization or other taking," the appropriation or the loss of use or enjoyment of property under Polish laws, decrees, or other measures limiting or restricting rights and interests in and with respect to property."

In the legislative history of the International Claims Settlement Act, approved March 10, 1950, the Senate Committee on Foreign Relations laid down the following broad standards for the interpretation of the phrase "other taking":

#### MEANING OF "OTHER TAKING"

"The term 'other taking' in the Yugoslav claims settlement agreement of 1948 is understood to be used in a broad generic sense. 'Nationalization' is in fact a specific form of 'taking' of property. 'Other taking' is designed to include all other deprivation or divesting of property rights for which compensation is properly allowable under the principles of international law, justice, and equity. The Commission is not required narrowly to construe any portion of the proposed act, nor the term 'other taking.'"

"It is known that some property owners were effectively deprived of property rights by Yugoslav authorities without formal nationalization. 'Nationalization' under Yugoslav law called for compensation to be paid in accordance with Yugoslav law. Property

and property rights have also been confiscated without compensation by Yugoslav authorities, placed under informal or formal sequestration, held under administration, or put in the possession or control of others. Actual transfer of title in a normal sense may not have occurred, yet holders of property may have been effectively deprived of ownership rights. Since the Yugoslav agreement covers the period of September 1, 1939, to July 19, 1948, the intent was undoubtedly to encompass all actual deprivation of property.

"Variations of 'other taking' are many—too many and too complicated to enumerate. The problem is essentially judicial. The most difficult and important legal issues before the Commission will doubtless arise as to the phrase 'other taking.' It is believed that consistent with the intent of the Yugoslav agreement, the specific application of 'other taking' should be left to the Commission. Prejudgment, either administrative or legislative, should be avoided in justice to all claimants." (S. Rept. 800, 81st Cong. 1st sess. p. 10 (1949).)

The Commission has applied these principles in numerous decisions, published in GPO volumes including the following: "Settlement of Claims by the FCSC and its Predecessors 1949-55" (Yugoslav claims); "Tenth Semiannual Report of FCSC for Period Ending June 30, 1959" (Rumanian, Bulgarian, Hungarian, and Soviet claims); and "Fourteenth Semiannual Report of FCSC for Period Ending June 30, 1961" (Czech claims).

These principles embody standards of international law made applicable by act of Congress even where no agreement is signed by the expropriating government, as in the Czechoslovak claims program concluded in 1962 (under title IV of the International Claims Settlement Act, 22 U.S.C., sec. 1642 et seq.) and the Balkans claims program concluded in 1959 (under title III of the act, 22 U.S.C., sec. 1631 et seq.). In the Czechoslovak program, for example, the FCSC recently issued an award to the American owner of a particular type of real property, although he retained record title, on the ground that such owners "are precluded from the free and unrestricted use of their realty and the fruits of such realty. To all intents and purposes, owners of such property, despite the fact that they have retained the record owners, lost all control over the property and were little more than collecting agents for the Czechoslovak Government. In view of the foregoing, the Commission has concluded that improved real property having a gross rental income of 15,000 Czechoslovak crowns or more per year is considered as constructively taken by the Government of Czechoslovakia as of January 1, 1953." (Fifteenth Semiannual Report of FCSC, p. 17 (1962).)

#### SOME RECENT INSTANCES OR THREATS OF CREEPING EXPROPRIATION

Only examples, not an exhaustive listing:

1. Brazil: An American mining and manufacturing company is threatened with imposition of prohibitive license fees for importation of essential machinery. The proposed license is nondiscriminatory on its face but is applicable only to the particular company and situation and would have expropriatory effect if imposed as threatened.

2. Brazil: Another American mining company is litigating in Brazilian courts the validity of administrative interpretation of a particular clause in their mining concession. The decree gave the contract an extreme effect not intended or covered by its terms. The company fears that affirmation of the decree on appeal, and the failure of the administrative authorities to correct the manifest error originally made, would have expropriatory effect. International law clearly holds the national government re-

sponsible in such cases for the judicial or administrative acts of subordinate governmental subdivisions or states. This responsibility includes conduct deemed to be "within the scope or functions of the agency or agent" if it falls within the general area of responsibility, though outside the actual authority of the agent or agency, whether national or local.

3. Mexico: Mining concessions were recently subjected to the retroactive requirement that they sell 51 percent of their stock to Mexicans within 25 years or lose their concessions. Under a 1962 decree this basic requirement of Mexican law was amended to require that coal mining companies, including one major American company, must "Mexicanize" by May 31, 1963. The American company is suing in the Mexican courts to enjoin enforcement of this decree. For more than 2 years it has unsuccessfully sought a basis for Mexicanization acceptable to the government. Among other difficulties is the fact that the required amounts of Mexican capital simply are not available for investment in the heavily-taxed coal mining industry. (Wall Street Journal, Sept. 21, 1962; New York Times, Sept. 20, 1962.)

4. Mexico: Recent Mexicanization decrees include requirements that American-owned manufacturing and assembling plants cease importing parts from the United States by a particular date or purchase a major percentage of such designated parts from Mexican manufacturers by a particular date. One American automobile manufacturer, owner of a Mexican plant, was forced to close its doors and offer the plant for sale, putting 850 Mexican workers out of jobs. (Wall Street Journal, Feb. 27, 1962.)

5. Mexico: Under Mexican decrees, requiring sale of a majority of shares to Mexicans by a particular date, American companies are finding it extremely difficult to obtain buyers from Mexican investors willing to pay prices for the stock. Mexican Government bonds pay 10 percent interest and Mexican investors are unwilling to buy equity shares that pay anything less. Mexican investors traditionally demand profits as high as 20 percent per year while growth-conscious U.S. investors favor smaller dividends and larger reinvestments. Another American-owned manufacturing company was unable to obtain buyers for its shares among Mexican investors, individual or corporate, although its offering price yielded 11 percent at the current dividend rate. (Wall Street Journal, Feb. 27, 1962.)

6. Venezuela: An American-owned sulfur company is suing the Venezuelan Government in local courts for a claim of expropriation of its property. The corporation, engaged in exploiting sulfur deposits, discovered and developed underground steam deposits for use in generating the electricity. After making major investments and obtaining Government concessions, the company was offered a price for the electricity under a Government contract which the company announced would make it impossible to recover all its investments. The claim, totaling \$20 million, includes the value of facilities already constructed and the cost of dollar loans undertaken in good faith on the basis of previous Government contracts in developing the deposits. (New York Times, Sept. 11, 1962.)

7. Colombia: Several American drug manufacturing and importing companies were recently subjected to decrees prohibiting the sale of trademarked drugs unless they complied with Government orders for the sale of equipment and nontrademarked drugs at 50 percent or less of the regular sales prices.

8. Canada, France: Various American companies are threatened with discriminatory taxes on American-owned shareholders above minority interests or with requirements of the sale of shares in the business to local private investors by particular dates. Such

requirements obviously discourage or preclude further investments in the particular countries. When such requirements are imposed retroactively they raise strong possibilities of creeping expropriation of existing investments which may be strangled by a lack of normal additions to working capital contributed by the American owners of the business.

9. Ceylon: The Government announced last year a program of nationalization of particular installations owned by American and British oil companies which had been engaged for some years in the sale of their products imported from abroad. The Government selected for nationalization less than half of the installations, but only those which were profitable, leaving to private ownership the more numerous stations which were operated at a loss for the convenience of the Ceylon people and the development of the national market. The Government then proposed to compensate the companies only for the profitable stations nationalized and on a valuation basis limited to the net book value of those net value stations. After extensive and unsuccessful negotiations, the United States suspended certain foreign aid programs under the Hickenlooper-Adair amendment. The Ceylon government thereupon proceeded with the compensation procedures under its domestic statute, in violation of international law standards of valuation embracing the total investments and the total worth of the property on a going concern basis.

The Ceylon government recently took another significant step in its campaign of overt and creeping expropriation by refusing licenses for the necessary foreign exchange to import oil products for resale by the remaining stations under private American ownership. The reason for this expropriatory action was the refusal of the companies to reduce their prices to the unfair level of the Soviet oil products imported under other Government licenses for sale by the Government-owned expropriated properties and stations.

10. France: American, British, and Dutch oil companies are contesting in the courts a recent decree reducing their share of the French market in favor of a government-dominated company. A recent French decree reduced the import quotas allowed these foreign-owned companies under longstanding laws and agreements and gave a higher quota to a corporation recently formed under Government decree and control. Such decrees, under particular aggravated circumstances, made expropriatory effect in whole or part. (New York Times, May 5, 1963; Washington Post, Mar. 24, 1963.)

11. Various countries have imposed compulsory exchange controls blocking or freezing regulations limiting or prohibiting the repatriation of earnings and otherwise restricting freedom of management and control of many American-owned enterprises in those countries. Although such controls may not have expropriatory effect when issued and imposed, their continuation for an indefinite period obviously may strangle particular enterprises and have the effect of expropriation under particular aggravated circumstances varying from business to business.

In the case of public utilities, and particularly in Latin America, the refusal of the state governments to approve rate increases and change depreciation schedules, have resulted in the companies involved being unable to extend services as required by franchise.

12. Brazil: An American public utility, denied necessary rate increases, was forced to cancel all plans for expansion and was unable to maintain its existing plant. A deterioration in service makes the company ripe for expropriation.



## EXHIBIT 3

## MAJOR INSTANCES OF EXPROPRIATION OF PROPERTY BELONGING TO U.S. NATIONALS SINCE WORLD WAR II

Like the United States, most countries maintain procedures for nationalization or expropriation of property for governmental or other public purposes. Where property of U.S. nationals is subjected to such procedures abroad, the Department of State would not ordinarily become involved unless the taking or provision for compensation did not comply with international law standards, and the adversely affected U.S. national complained. Consequently, a number of expropriation actions are not reported at all or, if reported, are not recorded for purposes of compilation nor collected for ready reference. So far as is known, no complete list is maintained by any U.S. Government agency.

Subject to the foregoing qualification, the list below does include the major instances of expropriation in the period since the end of World War II. A case-by-case breakdown could not be prepared without extremely extensive and time-consuming research.

## YEARS 1945-50

Eastern Europe: General nationalization of land and business properties including U.S.-owned property in Yugoslavia, Poland, Czechoslovakia, Bulgaria, Rumania, and Hungary.

## Settlement:

Claims agreement between United States and Yugoslavia, July 19, 1948—lump sum settlement.

Claims agreement between United States and Rumania, March 30, 1960—lump sum settlement.

Claims agreement between United States and Poland, July 16, 1960—lump sum settlement.

Claims of U.S. nationals against Czechoslovakia, Bulgaria, and Hungary have been paid in part out of vested assets of respective countries in United States by legislation: International Claims Settlement Act of 1949, as amended, title III (Public Law 285, 84th Cong.—Hungary, Bulgaria, Rumania) and title IV (Public Law 85-604—Czechoslovakia).

Communist China: General nationalization of land and business properties, including U.S.-owned property. United States does not maintain diplomatic relations.

## Settlement: None concluded.

## OCTOBER 31, 1952

Bolivia: Nationalized tin mines including the Patino interests of which one company was partially owned by U.S. stockholders. None of nationalized companies incorporated in United States.

Settlement: Interim payments pending final settlement made to U.S. stockholders out of proceeds of tin sales under agreement between Bolivia and Patino interests in 1953, renewed in 1956. Final settlement now under negotiation between company and government.

## MARCH 5, 1953

Guatemala: Expropriation of 234,000 acres of subsidiary of United Fruit Co. for purposes of agrarian reform.

Settlement: United States submitted formal claim against Guatemala after company exhausted local remedies, but expropriation was rescinded by new government which took power in 1954.

## JULY 26, 1956

United Arab Republic: Nationalization of Suez Canal Co. which had some U.S. stock ownership.

Settlement: Compensation agreement signed July 13, 1958, by United Arab Republic and representatives of stockholders. International Bank afforded good offices in negotiations between United Arab Republic and stockholders.

CIX—1371

## JULY 7, 1958

Argentina: Municipal government of Toberia in Buenos Aires Province expropriated subsidiary of American & Foreign Power Co. (ANSEC).

Settlement: Overall settlement between Government and company for this property and other properties expropriated, seized and intervened previously by local governments in Argentina made November 28, 1958, with all American & Foreign Power electric facilities in Argentina transferred to Argentine Government. Settlement contract called for court evaluation of properties which was issued April 26, 1961, and accepted by company.

## DECEMBER 26, 1958

Yugoslavia: Nationalization of urban dwellings, business premises and underdeveloped building lots, including U.S.-owned property.

Settlement: United States and Yugoslavia have agreed to begin negotiations soon for settlement of claims arising after 1948.

## MAY 11, 1959

Brazil: Governor of Rio Grande de Sul issued order expropriating American & Foreign Power Co. holdings in state.

Settlement: Case now pending in Brazilian courts.

## JUNE 3, 1959

Cuba: Agrarian reform law provided for expropriation of estates over a certain size including U.S.-owned sugar plantations. U.S. note to Cuban Government protested inadequate provision for compensation.

Settlement: None concluded to date.

## JULY 5, 1960

Cuba: Law authorized nationalization of all U.S.-owned properties to be carried out as applied to particular properties by subsequent decrees. Law was in specific retaliation against United States cutting Cuban sugar quota. Probably all or nearly all U.S.-owned property in Cuba has been taken under this or other expropriation law. Several U.S. notes to Cuban Government protested discrimination and inadequate provision for compensation.

Settlement: None concluded to date.

## YEAR 1962

Brazil: Governor of Rio Grande de Sul expropriated International Telephone & Telegraph properties in that state.

Settlement: Presently under negotiation between company and Government.

Ceylon: Requisition of certain assets of oil companies, including American.

Settlement: Formal note from Ceylon Government received stating its intention to make prompt and effective compensation for all assets requisitioned.

## YEARS 1945-62

Mexico: From time to time Mexico expropriates U.S.-owned, and other, property under its agrarian reform program.

Settlement: While there has been no overall settlement of claims, there have been isolated instances of individual settlements.

Mr. ELLENDER. Mr. President, earlier in the debate I called up my amendment No. 244, which is now pending. In the last few moments I discussed the amendment with the distinguished chairman of the Foreign Relations Committee [Mr. FULBRIGHT]. He stated that if I would modify the amendment in certain respects, he would accept it. I have agreed to do that.

The modifications are as follows:

On line 2, strike out: "Notwithstanding the provisions of section 614(a) of this Act".

The next word "the" would have a capital "T".

There is a further modification on line 4 to strike out "Republics" and insert in lieu thereof "countries."

There is a further modification, on line 3, page 2, to strike out "Republics" and insert in lieu thereof "countries."

So the amendment, as modified, will read:

The value of grant programs of defense articles for African countries, pursuant to any authority contained in this part other than section 507, in any fiscal year beginning with fiscal year 1964, shall not exceed \$25,000,000.

The rest of the amendment remains as is, with the exception of the last word "Republics", which becomes "countries."

The PRESIDING OFFICER. Since the yeas and nays have been ordered on the amendment, is there objection to the request for modification?

Mr. ELLENDER. Mr. President, in view of the fact that the distinguished Senator from Arkansas has stated he will accept the amendment as modified, I was about to ask unanimous consent to withdraw the order for the yeas and nays.

The PRESIDING OFFICER. Is there objection to withdrawing the order for the yeas and nays? The Chair hears none, and it is so ordered.

The amendment offered by the Senator from Louisiana is modified according to his statement.

Mr. FULBRIGHT. Mr. President, with those modifications I think the amendment is quite acceptable. I have no objection to it. I shall be glad to take it to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as modified, of the Senator from Louisiana [Mr. ELLENDER] to the committee amendment in the nature of a substitute, as amended.

The modified amendment was agreed to, as follows:

On page 41 between lines 8 and 9, insert the following:

"(d) SEC. 512. RESTRICTIONS ON MILITARY AID TO AFRICA.—(a) The value of grant programs of defense articles for African countries, pursuant to any authority contained in this part other than section 507, in any fiscal year beginning with fiscal year 1964, shall not exceed \$25,000,000.

"(b) Internal security requirements shall not, unless the President determines otherwise and promptly reports such determination to the Senate Committee on Foreign Relations and to the Speaker of the House of Representatives, be the basis for military assistance programs for African countries."

Mr. ELLENDER. Mr. President, I call up my amendment No. 250 to the committee amendment, as amended.

The PRESIDING OFFICER. The amendment to the committee amendment will be stated.

The LEGISLATIVE CLERK. On page 53, beginning with line 6, it is proposed to strike out through line 4 on page 54, as follows:

Sec. 403. The Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691 (et seq.)), is amended as follows:

(a) Section 104(e) is amended as follows: (1) Strike out "25 per centum" and substitute "50 per centum".

(2) Insert after the words "such firms" a comma and the words "and cooperative enterprises".

(3) Strike out "United States agricultural products" and substitute "United States agricultural and industrial products".

(b) Section 106 is amended by adding at the end thereof a new sentence as follows: "For the purposes of this title and title IV, the term 'surplus agricultural commodity' shall include any domestically produced fishery product if the Secretary of the Interior has determined that such product is at the time of exportation in excess of domestic requirements, adequate carryover, and anticipated exports for dollars."

(c) The amendment made by subsection (b) of this section shall not be effective for purposes of title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, until January 1, 1965.

Mr. ELLENDER. Mr. President, I wish to modify my amendment by striking out, on line 1, the figure "6" and inserting in lieu thereof the figure "9"; and on line 2, strike out the figure "4" as well as "on page 54" and insert in lieu thereof "16."

The PRESIDING OFFICER. The Senator from Louisiana has that right. The amendment is so modified.

The amendment, as modified, is as follows:

On page 53, beginning with line 9 strike out through line 16, as follows:

"(a) Section 104(e) is amended as follows:

"(1) Strike out '25 per centum' and substitute '50 per centum'.

"(2) Insert after the words 'such firms' a comma and the words 'and cooperative enterprises'.

"(3) Strike out 'United States agricultural products' and substitute 'United States agricultural and industrial products'."

Mr. SALTONSTALL. Mr. President, I believe the Senator from Kansas [Mr. CARLSON] has an amendment to subsection (b).

Mr. CARLSON. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator yield?

Mr. ELLENDER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Louisiana will state the parliamentary inquiry.

Mr. ELLENDER. The modified amendment I have just offered could be adopted, and thereafter the distinguished Senator from Kansas could offer an amendment to the remainder of the amendment of the Foreign Relations Committee.

The PRESIDING OFFICER. The question is on agreeing to the modified amendment offered by the Senator from Louisiana [Mr. ELLENDER] to the committee amendment in the nature of a substitute.

Mr. CARLSON. As I understand, the Senator from Louisiana proposes to strike out the language on page 53, beginning with line 9, down through line 16 in the committee amendment; the remaining portion, from line 17 to line 24, would be left in the committee amendment.

Mr. ELLENDER. That language would remain.

Mr. CARLSON. I should like to make this short statement. It was my amendment that increased the 25-percent figure now permitted to be used under Public Law 480 funds to 50 percent. I

favor that provision. I hope the Senator from Louisiana does also. I understand that he has agreed to make a thorough study of the entire use of Public Law 480 funds sometime early next year.

Mr. ELLENDER. The committee will hold hearings on Public Law 480, with a view toward revising the entire act. The committee will take into consideration, of course, the provision that the Senator from Kansas has referred to.

Mr. CARLSON. Mr. President, I have great confidence in the distinguished Senator from Louisiana, because he has worked on this problem for many years. I am sure he will make a thorough study of it.

Subsection (b) is now the subject of amendment. I have no objection to including fish products in the foreign aid program. As a matter of fact, on page 41 of the committee report there appears this language:

There have been occasions when foreign governments have asked for canned fish products under the food-for-peace program to supply protein deficiencies. This amendment will make it possible to meet these requests to the extent that fishery products may be in surplus. The amendment will put fish on the same basis as frozen beef, canned pork, canned hams, variety meats, and fruit.

I wish it definitely understood that I have no objection to it. My one concern is that there has been some effort to include a product that is known as fish flour under the designation of fish products. I believe that to be a misnomer.

I ask the distinguished Senator from Massachusetts if he would be willing to accept as an amendment on line 20, following the word "product", these words: "not including fish flour". I would be happy to support such an amendment.

Mr. SALTONSTALL. Mr. President, I am glad to accept that amendment.

At the present time, the Federal Government has underway several projects involving fish flour and its acceptability. The FAO mission has also begun a program of acceptability testing and development of commercial production of fish flour in Peru to which it is contributing \$300,000 during the next 3 years. The National Academy of Sciences has given fish flour a clean bill of health. The Bureau of Commercial Fisheries is continuing its research under funds appropriated last year. The Food and Drug Administration has indicated that it will not move from its position unless ordered to do so by the courts or by congressional action.

In view of these circumstances, although we in Massachusetts and I believe in Alaska and elsewhere—including the Senator from Illinois [Mr. DOUGLAS]—feel very strongly that fish protein is a proper fishfood, under the circumstances, it is felt wiser not to insist on that product being included in the act.

Therefore, as one who is interested in fish and fish products, I am willing to accept the amendment of the Senator from Kansas.

Mr. CARLSON. Mr. President, I would like to offer my amendment.

Mr. FULBRIGHT. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. FULBRIGHT. Is not the Ellender amendment now pending?

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Louisiana to the committee amendment in the nature of a substitute.

Mr. FULBRIGHT. I understand that the substitution of the 50 percent is quite agreeable. I have no objection to it. I have no particular objection to the second part, other than that the Senator from Minnesota [Mr. HUMPHREY] was very much interested in this particular program, and I would like to have him given an opportunity to come to the floor and at least discuss the matter with the Senator from Louisiana before accepting it.

This involves authority to use the so-called Cooley amendment in the use of Public Law 480 funds. I do not believe the Senator from Louisiana considers it an improper objective, but he does not like it to be inserted in this manner, and wishes to handle it in his own committee.

Mr. ELLENDER. That is correct. We would have no objection to it, but since the Committee on Agriculture and Forestry will undertake a full study of Public Law 480 next year, the whole matter will be dealt with at that time.

Mr. FULBRIGHT. The Senator from Minnesota should have an opportunity to say something on this subject before the amendment is adopted.

Mr. HUMPHREY. As I understand, this matter relates to the Cooley amendment for the use of Public Law 480 funds for the development of American institutions. We are making available some of these funds in those areas where they are needed and can be used for cooperative enterprises.

Mr. ELLENDER. Next year, we will study Public Law 480 in its entirety, and the uses of the funds generated. The committee may adopt what we are discussing today, but it is my judgment that we ought to have hearings on it, and it ought to be considered by the Committee on Agriculture and Forestry.

Mr. HUMPHREY. This does not relate particularly to Public Law 480, except the use of the money that it generates. The question of that use is not a prerogative of the Committee on Agriculture and Forestry. It is a matter that relates to commerce and foreign policy. Under those circumstances, all we are doing is spelling out what has been interpreted under the Cooley amendment to be a fact already; namely, that a cooperative enterprise which can borrow money which is repayable with interest qualifies as a part of our private economy.

I say most respectfully it is only a matter of placing in the law what some people believe is already in the law; but I thought we ought to spell it out precisely.

Mr. ELLENDER. Public Law 480 does spell out how this money is to be used. The Senator appeared before the Committee on Agriculture and Forestry several times in an effort to make certain



that some of the money was used abroad. I contend that the manner and method in which the Public Law 480 money is to be used should be considered by the Committee on Agriculture and Forestry. Since we plan to study the entire bill next year, there will be time enough for us to consider this very proposal.

Mr. HUMPHREY. It is not a matter of great consequence. The funds are available. It is not as if we were obtaining new money. We say that a percentage of the funds set aside for the use of American enterprises in that category shall be available to cooperatives. After the words "such firms" will appear "and cooperative enterprises," because they are private enterprises. They will repay the loans exactly as do John Deere or Parke Davis, companies which presently use funds under existing laws.

Mr. ELLENDER. I understand the interest of the Senator from Minnesota in cooperatives, and I share his views. But this matter ought to be considered by the Committee on Agriculture and Forestry. That committee should determine, after hearing the evidence, why the percentage should be increased from 25 to 50 percent. There may be other uses to which the money could be put.

Mr. HUMPHREY. The provision for 50 percent was, I believe, offered by the distinguished Senator from Kansas [Mr. CARLSON]. I am sure he has already explained it. I am not arguing whether the amount should be 25 percent or 50 percent. I would be perfectly willing and content to have it 25 percent—the same formula. But the funds were accumulating under this part of Public Law 480 in what is known as the Cooley fund. It seemed to me that they ought to be put to use. They are foreign currencies and lose much of their productivity and purchasing power by inflation. Enough money has already been wasted under Public Law 480 by inflation to have perhaps paid for the program once again.

We have permitted this to happen in Spain, where the currencies could have been used to build houses. It has happened in other countries. I believe the funds ought to be put to work.

Mr. ELLENDER. It may well be that the funds could be better used in other ways than the Senator has suggested. The only way to determine that is to hold hearings.

Mr. HUMPHREY. We have a 1-year program, and one-half of the year has already passed. I doubt whether the use of the funds would shake the financial solvency of the Government of the United States, or that Public Law 480 would be basically destroyed if the provision were in or out of the law. I believe it would be a good idea to have it in. A number of other Senators also have an interest in this fund.

The PRESIDING OFFICER (Mr. BREWSTER in the chair). The question is on agreeing to the amendment offered by the Senator from Louisiana to the committee amendment as amended. [Putting the question.]

The amendment to the amendment was rejected.

Mr. ELLENDER. Mr. President, I ask for a reconsideration of the vote by which the amendment was rejected.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DIRKSEN. Mr. President, I respectfully suggest that I ought to insist on a live quorum, so that all Senators will be properly notified.

The legislative clerk resumed the call of the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection?

Mr. GOLDWATER. I object.

The legislative clerk resumed the call of the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. HUMPHREY. Mr. President, I have discussed the matter with the chairman of the committee [Mr. FULBRIGHT] and the Senator from Louisiana [Mr. ELLENDER]. The Senator from Louisiana feels that he should move to reconsider the vote by which the amendment was rejected. I have no objection.

Mr. ELLENDER. Mr. President, I move to reconsider the vote by which the amendment was rejected.

The PRESIDING OFFICER. The question is on agreeing to the motion to reconsider.

The motion was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the amendment offered by the Senator from Louisiana.

Mr. DIRKSEN. Mr. President, I cannot address this inquiry to the Chair; I think I must address it to the distinguished Senator from Minnesota: Has a compromise been reached?

Mr. HUMPHREY. Yes; I have discussed the matter with the chairman of the committee [Mr. FULBRIGHT] and with the Senator from Louisiana [Mr. ELLENDER]. In the light of our discussion, I think we have reached an understanding.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana to the committee substitute, as amended.

The amendment to the amendment was agreed to.

Mr. BARTLETT. Mr. President, I wish to express my sincere appreciation to the Senator from Louisiana and also to the Senator from Arkansas and to the entire Foreign Relations Committee for having incorporated the fish provision in the bill.

Mr. FULBRIGHT. I appreciate that very much; but the amendment of the Senator from Kansas [Mr. CARLSON] has not yet been acted upon.

Mr. CARLSON. Mr. President, my amendment is at the desk, and I ask that it be stated.

The PRESIDING OFFICER. The amendment of the Senator from Kansas to the committee amendment, as amended, will be stated.

The LEGISLATIVE CLERK. In the committee amendment, as amended, on page 53, in line 20, after the word "product", it is proposed to insert: "not including fish flour."

Mr. CARLSON. Mr. President, after discussing this amendment with the chairman of the committee, the Senator from Arkansas [Mr. FULBRIGHT], and the Senator from Massachusetts [Mr. SALTONSTALL] and the Senator from Louisiana [Mr. ELLENDER], I have agreed to support this amendment without reservation.

Mr. FULBRIGHT. Mr. President, I accept this amendment to the committee amendment, as amended.

Mr. PASTORE. Mr. President, first, I wish to know why the Senate is considering fish flour as a surplus commodity.

Mr. FULBRIGHT. This amendment to the committee amendment will except it—take it out.

Mr. PASTORE. But will it then be shipped abroad?

Mr. FULBRIGHT. No.

Mr. PASTORE. But that is the point. Many people in Rhode Island and in Massachusetts are interested in this product. In fact, the distinguished Senator from Illinois ate some of the fish flour while he was standing on the steps leading to the Food and Drug Administration building on Connecticut Avenue; but by means of this proposal we would in one stroke except fish flour, to the prejudice of those who are interested in it.

Mr. CARLSON. Mr. President, I wish to state to the Senator from Rhode Island that the producers of this commodity can still sell all of it that they may wish to sell abroad, but not by using Public Law 480 funds to do so.

I am not opposed to the sale of fish flour, but I am in favor of prohibiting the use of Public Law 480 funds for the sale of fish flour abroad at this time. I am not opposed to the sale of fish products; but the committee report on this item is very plain, as follows—page 41:

There have been occasions when foreign governments have asked for canned fish products under the food-for-peace program to supply protein deficiencies. This amendment will make it possible to meet these requests to the extent that fishery products may be in surplus.

And I call the following to the attention of the Senator from Rhode Island:

The amendment will put fish on the same basis as frozen beef, canned pork, canned hams, variety meats, and fruit.

I think the amendment is fine. I supported it in the committee, and I support it now; and I hope we shall not have to have long debate and a rollcall vote on this amendment, which I have offered in regard to a food product that has not been approved by the Food and Drug Administration for sale in the United States. Why should these funds be used to sell this product to foreigners when we will not permit this product to be sold in the United States?

Mr. PASTORE. Because for a long time we have been appropriating funds for research work in an attempt to develop this product as a food. I realize that it has not been approved by the Food and Drug Administration, but I wonder what the repercussions or effect of this provision will be. First of all, this product is not in surplus; so I do not believe it will fall within the purview of this provision, to begin with. But the mere fact that we are earmarking it or "flagging" it at this point makes me wonder whether such a provision would discourage the work on the development of this product. We have already authorized funds for research in regard to the development of this product; and I wonder why a Senator who is much interested in the sale of wheat flour is going out of his way this evening to except fish flour. I am naturally suspicious; that is all.

Mr. CARLSON. Whenever this product is approved by the Food and Drug Administration, that will be different.

Mr. PASTORE. Then why not say so in the amendment? If the amendment contains such a provision, I will agree to accept the amendment. But I hope the Senate will not proceed tonight, at 8 o'clock, to accept, out of order, such an amendment even though many of us have been fighting for a long time because of our view that if this product proves out, it should be used. The Government has spent many thousands of dollars on research on it; but this amendment would say all that work is now off.

Mr. SALTONSTALL. Mr. President, as one who is just as much interested in fish flour and fish protein as is the Senator from Rhode Island, I would go along with the amendment of the Senator from Kansas, because I believe it is of the utmost importance that domestically produced fish products be included as part of the surplus products to be shipped abroad. I do not think there is a great deal of fish to be shipped as surplus, but I think it important to include it.

Although I am strongly in favor of the use of fish protein, so-called, instead of fish flour, I think it advisable not to have a fight in the Senate over whether fish flour should be included in the bill—for the following reason:

At the present time the Federal Government has underway several projects involving fish flour and its acceptability. The FAO mission has also begun a program of acceptability testing and development of commercial production of fish flour in Peru, to which it is contributing \$300,000 during the next 3 years. The National Academy of Sciences has given fish flour a clean bill of health. The Bureau of Commercial Fisheries is continuing its research under funds appropriated last year.

The important point is that the Food and Drug Administration has indicated that it will not move from its position of opposing the use of fish flour in this country unless ordered to do so by the courts or by congressional action.

This amendment would make available surplus fisheries products as designated by the Secretary of the Interior for purchase by friendly nations under the food-for-peace program. Occasionally we do harvest more of a particular species than the market can handle.

I think this is a very simple step, one which could prove extremely valuable to emerging nations where bread alone cannot solve the problem of undernutrition.

Already we permit the sale of wheat, rice, eggs, poultry, butter, cheese, milk, pork, variety meats, lamb, onions, potatoes, dates, canned peaches, and beans.

We cannot sell any of these items where they will compete with products from other friendly nations; so the effect of this amendment will be limited, but it would assist our beleaguered fishing industry, and I believe that, more importantly, it could serve to alleviate malnutrition and starvation in many areas of the world.

Mr. President, there are still some ghosts which have not been laid to rest with regard to fish protein concentrate. I am afraid that many of my colleagues are frightened by the term "fish flour" which is applied to this product. It is a misleading name, applying only to its appearance, not to its use. We never could make a loaf of bread with fish flour. It is in essence only a protein additive. Many countries of the world cannot obtain for their people a diet sufficiently high in protein. This product would answer that need by supplementing largely carbohydrate diets.

I think we would be in a bad position if we shipped such products abroad although at the present time we do not permit them to be sold to the people of the United States, and although two research programs in regard to them are being conducted.

Therefore, I am agreeable to accepting the amendment of the Senator from Kansas to the committee amendment, as amended.

Mr. PASTORE. Mr. President, will the Senator from Kansas yield?

Mr. CARLSON. I yield.

Mr. PASTORE. Will the Senator from Kansas accept a modification of his amendment—by adding after the words "not including fish flour," the words "until approved by the Food and Drug Administration"? If that modification is made, I shall be perfectly satisfied.

Mr. CARLSON. Of course I would not be in a position to oppose the sale of any product that is approved by the Food and Drug Administration of the United States. I still have questions about this product; but I shall be willing to accept that modification, in order to have the amendment taken to the conference between the House and the Senate.

Mr. PASTORE. I thank the Senator from Kansas.

The PRESIDING OFFICER. The question is on agreeing to the modified amendment of the Senator from Kansas. [Putting the question.]

The modified amendment to the committee amendment, as amended, in the

nature of a substitute, was agreed to, as follows:

On page 53, line 20, after the word "product", insert "not including fish flour until approved by the Food and Drug Administration."

Mr. ELLENDER. Mr. President, since subsection 403(a) has been stricken out, it will be necessary to strike out, in line 17, on page 53, the letter "(b)", and to insert in lieu thereof "(a)"; and on page 54, in line one, to strike out "(c)" and to insert in lieu thereof "(b)". I ask that these modifications or corrections be made.

The PRESIDING OFFICER. Without objection, the necessary corrections or technical changes in the lettering of sections and subsections will be made by the Secretary of the Senate.

#### AMENDMENT NO. 245

Mr. ELLENDER. Mr. President, I call up my amendment No. 245 to the committee amendment.

The PRESIDING OFFICER. The amendment of the Senator from Louisiana to the committee amendment, as amended, in the nature of a substitute will be stated.

The LEGISLATIVE CLERK. In the committee amendment, as amended, on page 35, beginning with the word "and" in line 18, it is proposed (amendment No. 245) to strike out through the words "as amended," in line 22.

On page 36, line 14, before the period, insert a comma and the following: "except that so much thereof as may be necessary shall be used for the immediate redemption of any outstanding notes issued under section 111(c)(2) of the Economic Cooperation Act of 1948, as amended, or section 413(b)(4)(F) of the Mutual Security Act of 1948, as amended".

Mr. ELLENDER. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. ELLENDER. Mr. President, the amendment would not cut from the bill any of the dollar amounts already authorized. On the contrary, it would merely simplify the bookkeeping of the investment guarantee fund and remove from the bill a method of backdoor financing. In addition, it will help to make clear, and place emphasis on the provision included in the bill by the Foreign Relations Committee; namely, that all guarantees "shall be considered contingent obligations backed by the full faith and credit of the United States of America." And finally, it will place the Investment Guaranty Fund on the same authorization-appropriation basis as the other items contained in the pending bill.

As of June 30, 1963, the Investment Guaranty Fund had reserves totaling \$268,585,915.01. These reserves are composed of the following:

Borrowing authority from Treasury.....	\$199,071,521.50
Transfers from DLF appropriated funds.....	27,747,863.42
Fees collected.....	12,417,917.88
Proceeds from sale of assets.....	16,161.07
Fiscal year 1963 appropriations.....	30,000,000.00
Subtotal.....	269,253,463.87



I point out that the investment guarantee fund has been in operation now for 15 years. In the course of the 15 years only 2 losses have been sustained. Those losses amount to \$667,548.86, thereby leaving in available reserves \$268,585,915.

I submit, Mr. President, that since Congress has legislated to provide that the full faith and credit of the United States stands behind all investment guarantee contracts, the reserves presently set aside in this fund are far in excess of needs and should be reduced to a reasonable amount, and that backdoor financing of this fund is no longer necessary. To reduce the reserve to a reasonable amount, my amendment would rescind the amount of borrowing authority presently contained in the total reserves, an amount totaling, as previously mentioned, \$199,071,521.50, and make the total reserves of the Investment Guaranty Fund \$69,514,393.51. This amount should be more than adequate to take care of any losses the fund may sustain in any particular year, and if future replenishment of the fund ever becomes necessary, Congress could replenish the fund through the appropriation process.

To buttress my opinion, I would like to cite language from the Agency's own justifications which was submitted to Congress to back up its budget estimates, and which appears on page 156 of these justifications:

Since investment guarantees are obligations of the United States, there is no basis for doubting that Congress would provide the necessary moneys to discharge proper claims promptly as they fall due. The history of claims to date in the past 15 years of the program's operation indicates that the present reserves are probably more than adequate to take care of claims that could be anticipated as maturing in any given fiscal.

Mr. President, I fear that if the excess reserves are allowed to remain in the bill, it is only a question of time when either the Senate or probably the House will desire to make use of the fund for one reason or another.

If this amendment is not adopted, then raids on the excess reserves can be expected. The House Foreign Affairs Committee has rejected the first raid that has already been tried, and here I make reference to the attempt to use the fees collected from guarantees to hire personnel. On pages 17 and 18 of the report of the committee on the Foreign Assistance Authorization Act of 1964, the following appears:

#### PERSONNEL

In addition to the program delays required for the development of policies and procedures, others have apparently occurred due to shortages of personnel. It came to the committee's attention during consideration of the bill that AID has on board only 15 people to handle the present specific risk investment guarantee workload, although the Agency estimates at least 46 employees are required. The committee gave serious consideration to an amendment to allow fee income from investment guarantee operations to be used to pay the cost of the

Agency's operation of this program. This would have allowed, in addition to the management and custodial costs incurred with respect to currencies or other assets acquired under guarantees made, the payment of direct and indirect personnel, travel, communications, and other expenses involved in the processing and issuance of guarantee contracts.

Although it rejected authority to use fee income for the employment of personnel and the payment of other costs, the committee recognized the need for increased emphasis on the proper staffing of this important program, and believes that early attention should be given to this problem. Further, the committee believes that the necessary personnel can be provided without any change in existing law if AID gives greater attention to the processing of the investment guarantees. In the view of the committee the importance of encouraging the participation of private enterprise in our development efforts warrants the assignment of the very highest priority to meeting the needs of this program within available administrative appropriations and personnel ceilings.

Mr. President, I repeat that the amendment would in no manner reduce the dollar amounts in the bill but would merely return to the Treasury the now unneeded borrowing authority which was put into the law many years ago.

If my amendment is adopted I repeat that there will be almost \$70 million in available funds which may be necessary to pay losses that may be sustained under the investment guarantee fund.

Mr. President, I hope that the amendment will be adopted.

Mr. President, I ask unanimous consent to modify my amendment, on line 8, to change the year figure from "1948" to "1954".

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. DIRKSEN. Mr. President, will the Senator yield for a question?

Mr. ELLENDER. I am glad to yield.

Mr. DIRKSEN. The reserves are piled up under this guarantee program. Does the distinguished Senator from Louisiana feel that they have reached the point where some of them should be covered back into the Treasury—at least the amount to pay off notes under the old Marshall plan, in the aggregate sum of about \$200 million?

Mr. ELLENDER. That is right; \$199 million-plus.

Mr. DIRKSEN. That is the substance of the amendment?

Mr. ELLENDER. That is all it involves.

Mr. DIRKSEN. Then why can we not vote upon it?

Mr. ELLENDER. I am ready.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. HUMPHREY. Is it not true that these reserves will be reduced to approximately \$70 or \$69 million?

Mr. ELLENDER. The reserves will be reduced to \$69 million, but I hasten to point out that in 15 years the losses have been only \$667,000.

Mr. HUMPHREY. We are greatly expanding the investment guarantee program. Under this bill that is the only way we will get the private sector of the economy involved in any of these activities.

Mr. ELLENDER. I understand that and I agree the private sector should be encouraged. Last year we appropriated \$30 million for that purpose. This year no request was made.

Mr. HUMPHREY. That is because there was a substantial carryover of reserves.

Mr. ELLENDER. But the situation has changed from that prevailing under the original legislation. Originally reserves of 100 percent were required. It will be recalled that a ruling was asked of the Attorney General as to whether the full faith and credit of the United States is behind the investment guarantees, and the answer was in the affirmative. Furthermore, the U.S. Government is contingently liable to the extent of approximately \$746 billion on veteran's housing, FHA housing, retired military pay, veterans pensions and benefits, and other commitments. There are not any reserves to cover this large liability.

Mr. HUMPHREY. Yes; that is correct.

Mr. ELLENDER. In order to make this certain, the bill contains a provision which explicitly states that the full faith and credit of the United States is behind the guarantees.

Mr. HUMPHREY. I am not particularly opposed to the amendment of the Senator from Louisiana. I rise to make some legislative history on the question of the investment guarantees, which is of such importance to the private sector of the American economy that we cannot deal with it lightly.

One of the problems brought to my attention by a private firm relates to the promptness of payment. With reserves, they get the money. When the investment goes bad, and the guarantee requirement is brought into play under the "full faith and credit" of the U.S. provision, they are guaranteed the money but get the money rather late. That, of course, does not suffice to meet the business needs of a corporation.

Mr. ELLENDER. Whenever the faith and credit of the United States backs up any claims, they have always been paid.

Mr. HUMPHREY. Yes, I agree that they have been paid.

Mr. ELLENDER. There will be a reserve as I said, of almost \$70 million for that purpose, if this amendment is adopted. If this guarantee fund should get lower, there is no doubt that the Congress would do what was done last year, when we appropriated \$30 million. That money is still available.

Mr. HUMPHREY. I merely wished to raise a warning flag on this question. I am not in any position to object. The chairman of the committee is temporarily away from the Chamber.

Since we have greatly expanded the investment guarantee program, since we have written into the bill half a dozen amendments about private enterprise

participation, and since many speeches have been made on the importance of private enterprise investing in foreign countries—particularly in South American countries, so as to aid the Alliance for Progress—considering what knowledge we have of the political and economic instability in these countries, I believe it might be a little risky to tamper in any way with what we call the guarantee program. I understand that the full faith and credit of the United States is pledged. I understand we can always appropriate additional moneys. I also understand a little about the necessity for having reserves. The reserves are minor compared to the amount ultimately to be guaranteed.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. ELLENDER. I am glad to yield.

Mr. DIRKSEN. I believe the Senator is correct in stating that it would take Congress only a few days, either by a deficiency or a supplemental appropriation, to provide the necessary money to sustain the full faith and credit item. I respectfully suggest to the Senator that he withdraw the order for the yeas and nays and let the Senate vote.

Mr. MORSE. We should have the yeas and nays. Then in conference our position would be strengthened. It will not take long.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. ELLENDER. I am glad to yield.

Mr. SPARKMAN. As I understand this proposal, it would effect no reduction in the program, no saving. It would not worsen the Treasury position, and it would not better the Treasury position. The amendment would reduce the reserves by canceling the Treasury notes never called upon.

There are some arguments against doing that. We virtually doubled the guarantee program this year, from \$1.3 to \$2.5 billion. This is a new proposal. It was not submitted to the committee.

I would suggest that the Senator from Louisiana obtain unanimous consent to withdraw the yeas and nays. We are willing to take the amendment to conference.

Mr. HUMPHREY. And support it.

Mr. SPARKMAN. And we will support it, subject, of course, to such additional information as we may obtain between now and then.

Mr. ELLENDER. Mr. President, I ask unanimous consent that the order for the yeas and nays on my amendment may be withdrawn.

The PRESIDING OFFICER. Is there objection to the request for rescinding the order for the yeas and nays? The Chair hears none, and it is so ordered.

The question is on agreeing to the amendment of the Senator from Louisiana [Mr. ELLENDER], as modified, to the committee amendment in the nature of a substitute, as amended.

The amendment, as modified, was agreed to.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. ELLENDER. I am glad to yield.

Mr. HUMPHREY. I ask unanimous consent to have printed in the Record

the position of the executive branch relating to the amendment.

There being no objection, the statement was ordered to be printed in the Record, as follows:

ARGUMENTS AGAINST AMENDMENT PROPOSED BY SENATOR ELLENDER REQUIRED IMMEDIATE REDEMPTION OF ANY NOTES ISSUED UNDER THE ECONOMIC COOPERATION ACT OF 1948 AND THE MUTUAL SECURITY ACT OF 1954 IN CONNECTION WITH THE INVESTMENT GUARANTEE PROGRAM

1. No new notes can be issued to the Treasury under the investment guarantee authority of the Foreign Assistance Act. The effect of the amendment, however, would be to deny AID the right to draw against notes already issued under prior statutes, which are now part of the reserves for the payment of claims.

2. By depleting existing reserves, it breaks faith with U.S. business firms who hold investment guarantees. Firms taking out guarantees have and will continue to rely on there being a sizable reserve available to assure prompt payment of their claims without waiting for an appropriation. While the full faith and credit of the United States is assurance to investors that they will be paid, it is equally important to them that payment be made promptly and that they not have to wait for appropriations. Investors have understood that the reserves will minimize or eliminate the risk of such delay. To deplete this reserve by reducing it from \$268 million to \$69 million would be a direct repudiation of the understanding.

3. This is not "backdoor financing," which avoids the appropriation requirement. No new notes can be issued to increase the reserves. In 1962 the Appropriations Committee reviewed the investment guarantee reserve in deciding how much new money to appropriate for that reserve. They took these funds into account and reduced the appropriation from the \$180 million requested by the executive branch to \$30 million to maintain a reserve level which included the \$199 million.

4. The funds represented by these notes are not part of our national debt.

Mr. ELLENDER. Mr. President, I call up my amendment No. 287 to the committee substitute, and ask that it be stated.

The PRESIDING OFFICER. The amendment to the committee amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 38, line 22, after the word "shall" it is proposed to strike out all through the word "Act" on line 24.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. ELLENDER. I am glad to yield.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Mr. President, do I correctly understand that during my absence from the Chamber an amendment was added on page 53, line 20 of the committee amendment dealing with the use of fish under Public Law 480, and that the modified amendment added was as follows: "not including fish flour until approved by the Food and Drug Administration."

Am I correct in stating that this was made a part of the bill?

The PRESIDING OFFICER. That amendment was adopted.

Mr. DOUGLAS. Mr. President, may I ask if any motion to reconsider the vote by which the amendment was agreed to was made at that time?

The PRESIDING OFFICER. No such motion was made.

Mr. DOUGLAS. Then a motion to reconsider would be in order?

The PRESIDING OFFICER. Such a motion is in order.

Mr. DOUGLAS. Mr. President, I wish to serve notice that at an appropriate time I shall move the reconsideration of the vote by which the amendment was agreed to.

I believe it is well known that I am deeply interested in this amendment. I was not notified of the action to be taken by anyone. It is very hard to watch the proceedings constantly, considering the multitude of things going on and the multitude of obligations under which a Senator is involved, and I knew nothing about this until a few minutes ago.

I believe this amendment is equivalent to killing the inclusion of fish flour so long as George B. Larrick is head of the Food and Drug Administration. Mr. Larrick has declared his opposition to fish flour over and over again, despite the fact that it has been approved by the National Academy of Sciences and is known to be extremely beneficial, to be 85 percent protein, with absolutely no toxic effect whatsoever. Mr. Larrick objects on the alleged esthetic ground that it is made from the whole fish, although it is subject to many washings both in water and in alcohol, and is completely pure.

As I demonstrated the other day, Mr. Larrick has this esthetic objection to fish flour, while he approves for distribution fried silkworms, chocolate covered bees and ants, rattlesnake meat—a regular chamber of horrors. He has no esthetic scruples against those, but he draws the line against fish flour.

This may seem to be a somewhat laughable incident, but it is of practical importance, because in tropical areas where refrigeration is lacking, it is virtually impossible to keep milk and fish without their rapidly disintegrating and becoming contaminated. It is precisely in this area of the world where we are trying to build up the health of the people. The fish flour, with very high protein, can be produced at 14 cents a pound. And that is precisely where it is needed.

I serve notice that Mr. Larrick is not going to clamp down on the health of either the American people or people in the tropics.

At an appropriate time—and I shall have to be the judge of what the appropriate time will be—I shall offer a motion to reconsider, and I shall be prepared to debate the subject, not with the ability, but with some of the persistence, customarily displayed by the distinguished Senator from Oregon.

Mr. SALTONSTALL. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. SALTONSTALL. The Senator from Kansas, who was interested in this amendment—I am also interested in it—is not present. I have sent for him. I



do not know whether he has left the building or not. My suggestion to the Senator from Illinois is that he not persist in his motion to reconsider this evening, but hold it up until the Senator from Kansas reaches the Chamber. I am personally interested in fish flour, but I am also interested in getting other fish products included.

Mr. DOUGLAS. They are not inconsistent. I shall do this at an appropriate time. If the motion will be in order tomorrow, and there will not be a previous motion to reconsider by one of Mr. Larrick's proteges which will be defeated because of a vacuum which had developed on the floor, I shall do so. I do not want my abstention used as an excuse to get a rush vote to reconsider, which will be voted down, and which will result in anchoring this language into the bill.

Mr. SALTONSTALL. If the Senator is willing to do that, he can bring it up tomorrow. I shall try to get in touch with the Senator from Kansas and other Senators interested in the subject.

Mr. DIRKSEN. Mr. President, does the Senator from Louisiana [Mr. ELLENDER] have an amendment to offer?

Mr. ELLENDER. Yes; that is the last one.

Mr. DIRKSEN. I understand there is a fair chance that it will be accepted.

Mr. ELLENDER. I understand it will be.

Mr. DIRKSEN. May I suggest to the Senator from Louisiana that he present his argument in capsule form—say 60 seconds—and have the Senate act on it?

Mr. ELLENDER. Mr. President, I call up my amendment No. 287 to the committee amendment, as amended.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. It is proposed on page 38, line 22, after the word "shall" strike out all through the word "Act" on line 24, as follows: "notwithstanding the provisions of section 612 of this Act or the provisions of any other Act."

Mr. ELLENDER. Mr. President, the bill as now drafted, authorizes and provides \$25 million a year to be used by the President in lending to cooperatives. The purpose of my amendment is merely to leave the authorization in, but it provides that those who seek to borrow any of these moneys must obtain them through the appropriations process.

This, in a nutshell, is what the amendment does.

Mr. President, prior to the action taken by the Senate Foreign Relations Committee on this bill, section 253 provided that:

All receipts in United States dollars from moneys made under this title and from loans made for the benefit of countries and areas of Latin America under title I of chapter II of part I of this Act, notwithstanding section 203, shall be available for use for loans payable as to principal and interest in United States dollars in furtherance of the purposes of this title. Such receipts and other funds made available under this title for use for the purposes of this title shall remain available until expended.

This language, Mr. President, established a revolving fund for loans made under the Alliance for Progress provi-

sions of the Foreign Assistance Act of 1961, as amended, and for loans made from the Development Loan Fund under the Mutual Security Act of 1954, as amended. It simply provided that the repayments from these loans are available for relending.

Mr. President, I originally opposed the establishment of such a revolving fund because its operation would weaken the control of Congress of Federal expenditures in that it would permit moneys to be relented without congressional approval or consent. I have always felt that Congress should have the opportunity to vote on the uses to which the taxpayers money is put, and the establishment of such a revolving fund prevented Congress from performing that function. Needless to say, notwithstanding my opposition, the revolving fund concept was written into the Foreign Assistance Act.

Be that as it may, I am hopeful that when the Foreign Relations Committee revamps the foreign aid program next year, it will not write into the foreign aid bill any provisions which would tend to circumvent congressional control. All receipts from loans should be paid into the Treasury and each year's loan program should be reviewed and approved by Congress.

Last evening, the Senate took a step in the right direction when it adopted the amendment of the distinguished junior Senator from Colorado [Mr. DOMINICK]. His amendment provided that loan receipts could not be relented unless reappropriated by Congress. However, I would like to go a step further by reiterating that loan receipts of the development loan program and the Alliance for Progress program should be taken into the general receipts of the Treasury.

When the committee recently considered the Foreign Assistance Act it adopted an amendment to section 253 which would broaden the revolving fund already established by this section. I understand that the amendment the committee adopted was offered by our distinguished majority whip, Senator HUMPHREY, from Minnesota. It expanded section 253 by extending the revolving fund concept to include in addition to dollars, the foreign currencies our Nation receives from the sale of surplus commodities and from other sales. The amendment reads as follows:

All receipts in foreign currencies from loans made under this title or from non-military assistance purposes under the Mutual Security Act of 1954, as amended, or any Act repealed thereby, shall, notwithstanding the provisions of section 612 of this Act or the provisions of any other Act, be available, in addition to other funds available for such purposes, for loans on such terms and conditions as the President may specify to carry out the purposes of subsection (g) of section 251 of this title, and the President may, notwithstanding the provisions of any other Act, reserve such currencies in such amounts (not to exceed \$25,000,000 in any fiscal year) and for such periods as he shall determine to be necessary to provide for the programs authorized by said subsection (g).

The subsection (g) referred to in this amendment was also adopted by the Committee at the behest of our distin-

guished majority whip, and it reads as follows:

In order to carry out the policies of this Act, the President shall, when appropriate, assist in promoting the organization, implementation and growth of the cooperative movement in Latin America as a fundamental measure toward the strengthening of democratic institutions and practices and economic and social development under the Alliance for Progress.

Now, Mr. President, I am not opposed to assisting the cooperative movement in Latin America, but I feel that any assistance we may grant should only be given with the full approval and consent of the Congress functioning through the sound processes established by the Congress. We should not authorize and appropriate at the same time, yet this is done in the Humphrey amendment to section 253.

Section 612 of the Foreign Assistance Act provides that, and I quote:

Foreign currencies so received, which are in excess of the amounts so reserved and of the requirements of the United States Government in payment of its obligations outside the United States, as such requirements may be determined from time to time by the President, shall be available for the authorized purposes of part I in such amounts as may be specified from time to time in appropriation Acts.

The Foreign Assistance Act provides in section 612 that foreign currencies are authorized to be made available for any of the purposes authorized in the Foreign Assistance Act, but it also provides that these moneys must be appropriated in an act passed by Congress.

The amendment to the Foreign Assistance Act which was offered by our distinguished majority whip, and which was adopted by the committee, would waive the provisions of section 612, and thereby result in a further dilution and weakening of congressional control since it would no longer require that foreign currencies be made available in an appropriation act. In effect, we give the President a blank check and bypass the orderly appropriation process prescribed by Congress.

I submit, Mr. President, that such a weakening of congressional control of expenditures is not only not desirable, but it is unnecessary. Thus, in my amendment to the amendment of the distinguished majority whip, I have merely urged the deletion of that language that would make the provisions of section 612 inapplicable. If my amendment is adopted there would still be \$25 million of foreign currencies authorized in any one fiscal year for assisting and promoting the organization, implementation and growth of the cooperative movement in Latin America, but before this money could actually be expended, it would be necessary for it to be appropriated in an act passed by Congress.

If my amendment is not adopted then it would mean that Congress, in this authorization bill on foreign assistance, will be both authorizing and appropriating \$25 million of foreign currencies for the purposes enumerated in section 251 (g) of the act. This, I do not believe Congress wishes to do and, therefore,

I urge that my perfecting amendment, because that is exactly what it is, be adopted.

Mr. SPARKMAN. Mr. President, acting for the chairman of the committee [Mr. FULBRIGHT], we shall be pleased to take the amendment to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana to the committee amendment in the nature of a substitute, as amended.

The amendment to the amendment was agreed to.

Mr. ELLENDER. Mr. President, I move to reconsider the vote by which the amendment to the amendment was agreed to.

Mr. MORSE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MORSE. Mr. President, I should like to address myself to the Senator from Alaska for a moment. Does the Senator from Alaska wish to offer his Latin American military aid amendment now, before I offer mine?

Mr. GRUENING. Mr. President, I wish to call up my amendment No. 235, and ask that it be stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Alaska, for himself, and other Senators, to the committee amendment in the nature of a substitute, as amended, will be stated.

The LEGISLATIVE CLERK. It is proposed to insert between lines 8 and 9 on page 41 the following:

(d) Section 505(a) of the Foreign Assistance Act of 1961 (Public Law 87-195) is hereby amended by changing the period at the end thereof to a comma and adding the following proviso: "Provided, That, except (1) to the extent necessary to fulfill prior commitments and (2) to the extent that the President finds, with respect to any Latin American country, that the furnishing of military assistance under this Act is necessary to safeguard the security of the United States, and so informs the Congress, no further military assistance under any provision of this Act shall be furnished to any Latin American country."

Mr. DIRKSEN. Mr. President, may I ask the majority leader and the sponsor of the amendment, which involves a rather broad policy, whether it is proposed to consider and dispose of this amendment tonight?

Mr. MANSFIELD. Mr. President, it is my understanding that the distinguished senior Senator from Oregon may possibly have an amendment pending. If that is the case, it is the intention of the leadership to move to have the Senate adjourn until tomorrow at 12 o'clock.

Mr. MORSE. Mr. President, the amendment offered by the Senator from Alaska opens up the entire issue of military aid to Latin America. The Senator from Alaska offers this amendment in keeping with his long-expressed conviction on the floor that he thinks military aid does more harm than good, that there is a great deal of money in the pipeline anyway, and that he would eliminate such aid.

There are other amendments on the same subject pending, depending on the disposition of this amendment. Although I do not think it will call for too long a debate, it will be discussed in some detail, because we are dealing with a very serious matter in connection with the Alliance for Progress program. I suggest that this amendment be made the pending amendment, and that we proceed to discuss the whole question of military aid to Latin America, using this as the basic amendment, tomorrow.

Mr. MANSFIELD. That is satisfactory with me. I thought I had understood the Senator from Oregon to ask the Senator from Alaska whether he was going to withdraw the amendment which he asked to have read. I may have misunderstood him. That is why I made the statement I did.

Mr. MORSE. The Senator either misunderstood the question, or I misspoke. There had been a discussion of which amendment was to be called up first. I asked him whether he wished to bring up his amendment before I offered my amendment, on this general subject. I judge he wants to offer his amendment first. If his amendment is defeated, I shall offer another amendment. There are several amendments on the subject.

Mr. MANSFIELD. That explains the situation.

I now ask unanimous consent that the Senate stand in recess until 12 o'clock tomorrow morning.

Mr. DOUGLAS. Mr. President, will the Senator withhold that request?

Mr. MANSFIELD. I withhold that request.

#### MOTION TO RECONSIDER

Mr. DOUGLAS. Mr. President, I enter a motion to reconsider the vote whereby the amendment of the Senator from Kansas [Mr. CARLSON] to the committee amendment on page 53, line 20, was agreed to.

I shall call this motion up at a time satisfactory to the Senator from Massachusetts or the Senator from Kansas.

Mr. MANSFIELD. Mr. President, I withdraw my request. I understand the Senator from Maryland [Mr. BREWSTER] desires to make a speech.

For the information of the Senate, there will be no further votes tonight, only speeches and remarks.

Mr. BREWSTER. Mr. President, the Senate has now been considering the 1963 foreign aid authorization bill for 11 days.

This debate is the culmination of the most searching review of the program since its inception with the Marshall plan in 1948.

The intensive study was first undertaken by the distinguished Committee under Gen. Lucius Clay. The report of this Committee suggested certain guidelines be established for future aid spending. It argued that we have been attempting too much for too many with too little concern for quality and too much for quantity.

This report prompted a reduction of the budget request by almost \$420 million.

Extensive hearings and study by the Foreign Relations Committee under the distinguished leadership of Senator FULBRIGHT produced an aid bill which we are now debating.

I have consistently advocated the fullest participation of the United States in international affairs. I continue to believe that the United Nations is our best hope for improving relations among nations—for providing moral leadership and peacemaking, peacekeeping machinery in times of crisis. The U.N. has saved inestimable American lives and dollars since its inception.

Our system of alliances and our mutual security program are equally vital to our national interest.

We are the world's most powerful nation—the custodian of freedom for our own people and for others throughout the world. This irrefutable fact imposes upon our Government awesome and burdensome responsibilities.

There can be no serious thought of abrupt withdrawal from our basic commitments, both military and economic. We must continue our effort to shape and enlarge the free world into an ever stronger and more cooperative economic, military, and political unit.

It is clearly in our interest—our selfish interest if you must—to do so. In so doing, we continue to thwart Soviet economic and military expansion while at the same time we broaden the overseas markets for the goods and services of the American economy and strengthen our allies' military resistance to communism.

For these reasons, I shall vote for a continuation of our aid program on final passage.

In the meantime, I shall continue to appraise the many amendments offered to this bill in accordance with the constitutional responsibility of the Congress to determine broad policy, and in accordance with what I believe to be in the best long range interest of the United States and its allies.

Foreign aid can, when handled wisely, succeed in doing what it sets out to do. When the program is mishandled, unrealistic, administered without policy direction and clearly defined goals, it is an unwarranted and unwise burden. The pocket of the American taxpayer must not be an international grab bag.

Our sincere and genuine desire for freedom and liberty for all people should not be thwarted by corrupt and dictatorial governments of the peoples we seek to help. We cannot continue to invest in countries whose leaders will make no effort to affect the land and social reforms essential to a climate of growth.

Recent events in South Vietnam give graphic credence to the allegation that we have too often supported despotic, authoritarian regimes which are constantly—and for good reason—threatened by internal revolt.

These convictions have formed the basis for my votes on the amendments thus far considered.

I have voted to improve the climate for private investment opportunities in countries receiving our aid.



I have voted to lower the authorization for the Development Loan Fund and to require annual reconsideration of this program. The language in both the Clay report and the Foreign Relations Committee report indicates the necessity for a continual review of this program with major reorganization and reorientation.

Such a revamping cannot be assured unless the Congress withdraws its blanket authorization for succeeding years and makes clear its desire that future aid programs be more selective and rely more on the facilities of multilateral agencies such as the International Bank for Reconstruction and Development. The United States cannot be expected to continue to bear the total aid burden nor continue to assist nations now economically prosperous.

I have voted to restore \$75 million of the original cut in funds for the Alliance for Progress. I did so, firm in my conviction that the unusual importance of this area to American security demands a long term venture of extraordinary complexity and scope.

I have supported amendments barring aid to countries engaged in or supporting aggression against the United States or nations receiving American assistance. I have joined with a unanimous Senate in barring aid to Communist countries.

While I have refused to grant to the President discretionary authority on these two matters, I have refused, and will continue to refuse, to tie the hands of the Chief Executive in other areas where freedom to act and to act quickly—to adjust policy to circumstances—is surely in the interest of the United States.

In accordance with my conviction that the best hope for reduction of American aid lies in the expansion of American trade, I have voted to extend most favored nation treatment to Poland and Yugoslavia. These governments do not now receive American aid, but the improvement of trade relations with these nations continues to serve our interest.

The primary justification for the tremendous investment that American taxpayers make in foreign assistance is the safety and security of the United States. As an arm of American policy, this program serves us best when it clearly serves our interest. I hopefully predict that our deliberations and votes will produce a final bill which does precisely that.

I further hope that our final vote may come soon so that we may turn our attention to the other pressing matters which must be acted upon before the end of this session.

#### JOINT ECONOMIC COMMITTEE'S KEY ROLE IN SOLVING U.S. BALANCE-OF-PAYMENTS PROBLEM

Mr. PROXMIER. Mr. President, yesterday, the Joint Economic Committee had before it two of the outstanding economists in the world on the subject of balance of payments. One was Prof. Friedrich Lutz, professor of economics at the University of Zurich; the other

was Prof. Arthur Bloomfield, professor of economics at the University of Pennsylvania.

Both of these men indicated that the balance-of-payments problem, which was so serious in the second quarter of this year—probably more serious than ever in our history—and which was at an annual rate of about \$4 billion a year or more, stated that the reason for the vast improvement in the third quarter was primarily due to the administration's announcement of its interest equalization tax proposal, and that this had a very distinct and immediate effect on the outflow of capital.

I believe that the country and Members of the Senate should be aware of this conclusion by these two eminent economists, and should recognize that the balance of payments may be improving sharply and may now be within the control of the administration.

I say this because, as a member of the Joint Economic Committee, I am proud of the fact that the proposal for the interest equalization tax was first made at a meeting of our committee on February 1 of this year by the newly appointed member, at that time, of the Federal Reserve Board, George W. Mitchell, who is superbly qualified as a monetary specialist.

Mr. Mitchell said at that hearing before the Joint Economic Committee:

The United States has the largest and most accessible capital market in the world, and it ought to be kept free of exchange restrictions. It is proper and desirable that capital-poor developing countries should utilize this market to meet a portion of their enormous needs for foreign capital. It is not so clear, however, that it is either necessary or desirable for advanced countries, with balance-of-payments surpluses, to have recourse to our capital market on the recent large scale while they restrict and hamper entry of outside borrowers to their own capital markets. If these countries are unwilling to open their capital markets, possibly we should look toward tax measures that might help to remedy this unbalanced position. In general, we need to explore the possibilities of various tax measures that might, consistent with our obligations as an international good neighbor, and with the status of the dollar as a world reserve currency, discourage capital movements that appear to flow uphill to countries that are already capital rich.

Governor Mitchell had this conception, and I believe that it is certainly one reason why the administration has made the very wise proposal of an interest equalization tax, which has had such a profound effect on our balance of payments.

I should like to call the attention of the Senate to the fact, if the interest equalization tax does have the effect of discouraging capital outflow and does really solve our balance-of-payments difficulties, it will be particularly incumbent upon the money managers of our economy to use their new freedom to follow a monetary policy that will encourage economic growth and economic development domestically.

The fact is that interest rates have been kept at a relatively high level, in spite of the fact that we have heavy unemployment. The speculation of many

outstanding financial experts has been that in the event we have a tax cut and the economy is stimulated, the Federal Reserve Board and the Treasury will follow policies which will have the effect of pushing interest rates up and keeping the economy under some restraint.

Many of us feel this would mean that the two principal Government economic weapons would be in opposition to each other. Fiscal policy would be used to expand the economy, and the monetary policy would be used to contract it. In other words, one would be stepping on the gas, and the other would be putting its foot on the brake, and the tax cut which is supposed to stimulate the economy would be limited.

A number of economists have made studies of the many tax cuts that we have had in this country, and they have found that when these tax cuts have been coupled with monetary ease, they have been expansionary, and that when the tax cuts have been coupled with monetary restraint of the kind the Federal Reserve Board indicates it will follow, then the result has been that a tax cut has not been stimulating, but has resulted in a deficit.

The reason why I call this subject to the attention of the Senate is that many of us sometimes feel that our nonlegislative committees, which have a primarily investigative function—whether it be the Select Committee on Small Business or the Joint Economic Committee, or some other committee—have very little influence. It seems to me that if the Joint Economic Committee had never done anything else, the fact that it was an instrumentality in giving birth to an apparent solution to our very serious balance-of-payment problem makes the work of the committee very worthwhile and makes its contributions most important.

#### RECESS TO 12 O'CLOCK NOON TOMORROW

Mr. MORSE. Mr. President, I move that the Senate stand in recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 8 o'clock and 45 minutes p.m.) the Senate recessed until tomorrow, Thursday, November 14, 1963, at 12 o'clock meridian.

#### NOMINATIONS

Executive nominations received by the Senate November 13 (legislative day of October 22), 1963:

##### IN THE ARMY

The Army National Guard of the U.S. officers named herein for appointment as Reserve commissioned officers of the Army, under the provisions of title 10, United States Code, sections 593(a) and 3392:

##### To be brigadier generals

Col. Alfred Carlisle Harrison, O311380, Adjutant General's Corps.

Col. Erwin Case Hostetler, O336226, Adjutant General's Corps.

Col. Robert Louis Stevenson, O343589, Adjutant General's Corps.

Col. Thomas Roberts White, Jr., O348796, Adjutant General's Corps.

## CONFIRMATION

Executive nomination confirmed by the Senate November 13 (legislative day of October 22), 1963:

## FEDERAL TRADE COMMISSION

Philip Elman, of Maryland, to be a Federal Trade Commissioner for the term of 7 years from September 26, 1963.

## WITHDRAWALS

Executive nominations withdrawn from the Senate November 13 (legislative day of October 22), 1963:

## IN THE ARMY

The following officers of the Army National Guard of the United States for appointment as Reserve commissioned officers of the Army

in the grade of major general, which were sent to the Senate on July 18, 1963:

Col. Alfred Carlisle Harrison, O311380, Adjutant General's Corps.

Col. Erwin Case Hostetler, O336226, Adjutant General's Corps.

Col. Robert Louis Stevenson, O343589, Adjutant General's Corps.

Col. Thomas Roberts White, Jr., O348796, Adjutant General's Corps.

## EXTENSIONS OF REMARKS

### The Cotton Bill: A \$500 Million-Plus Gain for American Consumers

## EXTENSION OF REMARKS

OF

## HON. HAROLD D. COOLEY

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, November 13, 1963

Mr. COOLEY. Mr. Speaker, on Friday last, November 8, the gentleman from Illinois, Representative FINDLEY, charged, in a statement entered into the RECORD of the House that H.R. 6196—the cotton bill—provides multimillion-dollar payments to textile mills. He contended that the bill provides for such payments as subsidies to the mills. I ask the indulgence of the House to set the record straight.

H.R. 6196, now awaiting action in the House, does not subsidize domestic cotton mills. It simply makes American cotton available to our own mills at the same price as American cotton is sold to foreign mills, and thereby removes a Government-imposed cost disadvantage under which our own mills have been agonizing since 1956.

Mr. Speaker, the greatest benefactor under this legislation will be the American consumer. Americans will enjoy lower prices for American-made cotton goods, at savings amounting to more than \$500 million a year.

Moreover, the legislation will revitalize the whole cotton industry, in which more than 10 million Americans are associated in the production of cotton on the farms, in ginning, marketing, transporting, milling, and in the manufacture and merchandising of cotton goods.

This legislation will protect the livelihood of the millions of people who work with cotton.

Mr. FINDLEY is a member of the House Committee on Agriculture and accurate information is available to him. For some reason unknown to me he has chosen to oppose the cotton bill, and has refused to avail himself of the facts or to attempt to understand the purposes upon which this legislation is proposed.

He apparently has not read the committee report.

Had he listened to the testimony before the committee and had he studied the report it would be evident to him in a way that denies contradiction, that the American consumer of textile goods—not the textile mills—will be the great beneficiary in bringing the cost of raw cotton to American mills down to the

price that is paid for American cotton by competing mills in other countries.

For it was shown to our committee that a rise or fall in the cost of cotton is almost invariably and completely accompanied by a rise or fall of the same degree in cotton cost prices. The Department of Commerce established this as a fact in the hearings of our committee.

I am not addressing my remarks today particularly to the farm problem, because we all know that a reduction in consumption of cotton in the United States means contracting acreage allotments and disaster in the cotton growing areas of the country. I am directing my remarks primarily to what it means to consumers and to all of those people in the highly populated areas of the country who are dependent upon the textile industry for their livelihood.

Our price support program has resulted in American cotton being higher priced than foreign grown cotton. To preserve our export markets, the Government since 1956 has made American cotton available to foreign mills at prices far below the domestic price. Currently, cotton is sold for export at \$42.50 a bale less than it can be bought by domestic mills. The American mill must pay one-third more for American cotton than its competitor in Hong Kong or in any other foreign land. Since 1939, American mills have been prohibited from buying foreign grown cotton in excess of 30,000 bales a year—less than the amount consumed by U.S. mills in 1 day.

What will H.R. 6196 do to correct this situation? It will make cotton available to American mills at the same price it is made available for export to foreign mills. It is beyond me to see how any fairminded person could possibly object to giving the same treatment to an American industry which we accord to its foreign counterpart. It is absolutely impossible for an American mill to be competitive with foreign-made goods when it is forced by its government to pay one-third more for its raw material on top of a substantially higher wage scale.

Laws, which the Congress of the United States passed, have created what President Kennedy so aptly has called this unique burden. The President himself has asked for the elimination of the grossly unfair cost disadvantage which has been legislated on this American industry. H.R. 6196 would do away with the cotton cost difference between U.S. and foreign textile producers.

A subsidy to the textile industry. This is utter nonsense. Such a charge is completely irresponsible. Mr. FINDLEY's

statements in the RECORD purported to show how much money some of the larger firms would receive.

A private research firm conducted a study of the relationship of the price of cotton to the price of cloth. Its findings are on pages 8, 9, and 10 of the committee report. I urge you to read it all. I especially urge Mr. FINDLEY to read the report. Over a period of 38 years—including war and peace—depression and prosperity—cotton cloth prices have gone up and down with raw cotton prices. Let me read to you just one sentence from the report:

When consideration is given to the long span covered, the varying political and economic conditions during this time period, the great and minor depressions, the two wars and the two postwar periods, this record verges upon the unbelievable.

Certainly those of us who believe in the private, competitive, free enterprise system will agree that competition among the 5,000 companies which manufacture textiles in the United States will force an immediate and comparable reduction in cotton cloth prices when the price those companies pay for cotton is reduced.

Any person who says the textile industry will be subsidized or receive a windfall under H.R. 6196 either does not know the facts or refuses to accept them.

H.R. 6196 in addition to great benefits to consumers and millions of off-form wage earners will do the following things directly for cotton:

First. On the domestic market it would remedy a price disadvantage which is largely responsible for a competitive loss of 1,700,000 bales in annual rate during the past 3 years—a loss which is now continuing with no end in sight.

Second. It would eliminate the two-price system and thereby remove the main cause of rising cotton textile imports which have reached the equivalent of 693,000 bales in annual rate during the first 7 months of 1963. These imports are delivering our domestic market to foreign cotton growers and, in addition, they are generating powerful opposition to the export subsidy upon which our whole export market now depends.

Third. It would remove the necessity, otherwise inevitable, of reducing the statutory minimum acreage allotment below 16 million acres, possibly even in the next Congress. This season, even under the optimistic offtake estimates of the Department of Agriculture, the minimum allotment is producing 1.2 million bales more than can be sold, and the carryover will reach 12.4 million bales next August 1.